

THE
WESTMINSTER
BANK

VOLUME I



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**‘Bankers are mortal, but banks should
never die.’**

Vincent Stuckey in 1834.

**‘For the rest, let us be optimists, for it
is the optimists who get things done.’**

Walter Leaf in 1919.

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A book of this kind cannot be prepared without incurring direct personal obligations of a more than formal nature. Mrs. Henderson's services are all too inadequately recognized by the appearance of her name upon the title-page. The author is conscious of the fact that he has severely taxed the time and the patience of Mr. Charles Lidbury, the Chief General Manager of the Bank, of Mr. F. Mytton, the Secretary, and of Mr. J. H. Arnold, the Assistant Secretary. To the latter's interest in, and knowledge of, the architectural history of the Bank he is under special obligation—and not less so to his desire to publish the book in the elegant format in which it appears. He feels that any merit which this book may acquire through its typographical excellence is due, not to his own experience in this field, but to the collaboration of Mr. Arnold with Mr. Oliver Simon of the Curwen Press, whose professional pre-eminence requires no stressing. To the Managers of certain branch banks of the Westminster Bank he is under special obligation for their collections of material, of which he has made free use in the following pages.

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P R E F A C E

I have been asked to write a foreword to the historical record published this year to mark the centenary of the Westminster Bank. The book gives some account of the early life and struggles of that institution and sets forth its progress during the hundred years that have sufficed to bring the Westminster Bank to its present eminence.

As the present titular head of the Bank, it would ill become me to ascribe any particular merit to its conduct during the past five or six years. I will only say that the process of steady evolution which has been the characteristic feature of the Bank's life as recorded in the following pages is still the mainspring governing the actions and ambitions of those who hold its destinies in charge. Upon an occasion of this sort one must resist any tendency to reminiscence, as that is one of the functions of the book, but I will record my opinion that tradition and experience have done more than anything else to build up the British banking system as we know it to-day. There is, I dare say, nothing original in this remark, but it does give the clue to the process of steady evolution that I have mentioned above.

No one can read the story which is unfolded in the following pages without realizing how thin sometimes is the line which separates success from failure, triumph from disaster. If, during the past twenty years, British banks have been able to overcome difficulties rendered more than ever formidable by their novelty, it is because experience has taught bankers to assess character at its proper value, to estimate risks with some degree of accuracy, and to create a banking mechanism sufficiently elastic to meet ever-changing conditions, but strong enough to withstand the impact of unknown forces by virtue of its inherent principles of organization.

It was not always so. In this book there are related for the first time the full details of the conflict which the old London and Westminster Bank was forced to wage against the entrenched interests of the established London private bankers, the jealousy of a dominant Bank of England still largely imbued with considerations of self-interest, and the indifference or open hostility of politicians. Even

when the 'struggle for recognition', as Professor Gregory terms it, had been won, the law stood in the way of the unification of the various sections of the banking system for which the growing integration of the economic life of the nation was calling. Moreover, while this contest was gradually drawing to a close, other problems emerged calling urgently for the appropriate remedy. Too many of the early joint stock banks, both in London and the provinces, were the prey of greedy promoters, incompetent directors and dishonest officials. The creation of a spirit of public service among the directors and officials of the banking system was not the work of a day—but now that it has been achieved it is possible to look back and view with interest the process by which it was attained. To dwell too much upon the occasional failures of morale would, however, be as wrong as to neglect them altogether. Many names, some deservedly famous, a few infamous, occur in these pages, but British banking could never have grown to its present strength unless the average man had been honestly desirous of doing his best, whatever his position in the banking system might be, whether director, general manager, official, or 'rank and file'. I should like this book to be regarded not only as celebrating the centenary of a famous bank, but as commemorating the efforts of all those who during a century have devoted their working lives to building up the institutions of which the Westminster Bank of to-day is the lineal descendant.

RUPERT E. BECKETT

CHAPTER I

THE BACKGROUND OF
ENGLISH BANKING, 1820-1833

I

THE development of the banking system of a given area is a function of many forces. In the first place—most obviously, though perhaps in the long run least fundamentally—the structure of banking is liable to be affected by legislation reflecting contemporary public opinion in every age, and registering current judgment both upon what is and upon what ought to be. Secondly, no banking system is immune from the impact of the general historical development of the area in which it operates—and particularly from the vicissitudes of currency policy: in fact, historical experience, currency experiment, and public satisfaction and dissatisfaction act and react upon one another in the most direct fashion, as contemporary events in the United States and in Germany clearly show, though the same point is also illustrated (and more relevantly perhaps) by the history of banking in England and Wales. But this is not all. Economic structures obey laws of their own; beneath all the infinite variety of form the student of banking observes, at all times and in all places, a fundamental pattern which is the response of the banking structure to the functions which it has to carry out. Lastly, the banking structure at any moment must stand in a relationship—appropriate, if circumstances permit, inappropriate, if law, custom, or public opinion stand in the way—to the general scale of economic life. But it may be stated as a general truth—illustrated both by English and American experience—that if the scale of the

banking structure is 'out of line' with general economic development, radical changes in the existing banking order will sooner or later take place, the pace of alteration depending upon the degree to which the necessity of change is recognized by public opinion.

II

The Napoleonic Wars left Great Britain with an industrial organization and powers of production then unequalled in the whole world, increasing in efficiency yearly as the new machine technique made its way from one branch of industry to another. At the same time, the wars had left behind them a fatal legacy of high prices and an enormous National Debt, whether the latter is considered absolutely or in relation to the then population which, though increasing rapidly, was still less than one-fourth of what it is to-day.¹ Prices during the war would in any case have risen as a consequence of high freight rates, taxation, and the difficulty of producing foodstuffs on an increasing scale from the limited area of land available: it was, indeed, from the standpoint of food supply that an expanding population was viewed with growing apprehension by the economists of the age.

In fact 'war prices' had been influenced, not only by war conditions, but by monetary policy: the pound sterling was seriously depreciated in terms of gold, and the monetary conditions of the time had been the main cause of the famous 'Bullion' controversy which laid the foundations of modern English monetary science. Professor Silberling's well-known price indices² (base 1790=100) show that by 1801 the cost of living had risen to 174: it

¹ The population of England and Wales at the 1811 Census was 10·2 millions approx. In 1821 it was 12 millions approx., and in 1831 nearly 14 millions.

² British Prices and Business Cycles 1779-1850 (*Review of Economic Statistics*, 1923. Supplement 2).

attained a new maximum of 176 in 1810 and another of 187 in 1813: from that time it started falling and by 1819 stood at 143. Commodity prices (base 1790=100) show maxima of 166 in 1801, 176 in 1809 and 1810, and 198 in 1814: by 1819 the index had fallen to 136. These movements are important, since they show the familiar deflationary trend associated with the ending of a great war. What gives the next two decades their characteristic impress is the circumstance that this deflationary trend continued. In 1819 the pound sterling was linked to gold on the basis of a 'gold bullion' standard: in 1821 coins were put into circulation again. Between 1819 and 1833 the cost of living index fell from 143 to 107; by 1850 the figure had dropped to 83. Commodity prices during the same interval of time fell from 136 to 97 in 1833 and to 84 in 1850.

Thus a terrific deflationary pressure was exerted, and it is this pressure which colours the whole tone of the age and has led to the erroneous idea that the twenty years which followed the Napoleonic Wars were years of economic retrogression. Nothing can be further from the truth; but what is true is that these decades were years of great difficulty. Without question the fall of prices accentuated the difficulties of social and economic adjustment. The 'industrial revolution' was creating the problem of the urban working classes and their political and social rights: the land-owning and land-occupying classes were struggling with issues of equity in taxation and in the fixing of rents due in the last resort to the fall in prices: the middle classes, who were to triumph in 1832, were outraged by the attempt to meet the agricultural and fiscal problems of the age by a resort to high Protection. The trend was interrupted from time to time by business revivals (1824-5, 1835-6) which brought to the front new problems associated with the growth of joint stock enterprise.

It was, indeed, inevitable that the economic trends of the age should affect the banking structure. It was not very long after the end of the wars that the first signs of an impending revolution made themselves manifest.

III

Economic expansion and currency changes are apt, especially when abrupt and violent, to impose great strains upon the banking system, even when the organization of the latter is in general adequate to meet the requirements of the commercial and financial community. Economic expansion involves a growth in the *scale* of the demands for accommodation with which the banker is confronted, and there arise difficult technical questions of spreading the risk adequately, as well as others concerning the liquidity of the loans granted when a setback occurs in economic conditions. The rhythm of economic life itself involves changes in the short-term trend of prices, but when such price changes are superimposed upon a changing long-term price trend, the strain upon the banking system is increased, and if the structure of the banking system is not adequate, even to the normal demands made upon it, its operation must then prove extremely defective. These defects may reveal themselves in two quite dissimilar ways. Defects in structure or policy, or both, may aggravate the intensity of the upswing; the same factors, by proving the inadequacy of banking in the period of downswing, aggravate the perils of the downswing itself.

The general charge brought against the banking system of England and Wales in the post-Napoleonic period was precisely that it helped to intensify rather than to modify the 'amplitude' of the trade cycle: that the manner in which it was organized and was worked was itself a major cause of dislocation. Moreover, it was argued, the deficiency

of banking structure was proved by the frequency of banking failures: the most obvious sign of the malaise from which English banking was suffering was the high death-rate among British banks.

A contemporary writer¹ points with justice to the difficulty of establishing the frequency of banking failures in the period under discussion, every highly respected contemporary authority giving figures which differ widely from those quoted by others. Two returns submitted to the Secret Committee of the House of Commons in 1832 on the Bank Charter throw some light upon these issues. The first, Appendix No. 101, purports to be an 'Abstract Return of the Number of Commissions of Bankrupt issued against Country Banks since the year 1780'.² The second, Appendix No. 98, is an 'Account of the Number of Licences granted in each year to Country Bankers since the year 1780'. No licences were, in fact, granted to country bankers prior to the year 1808. The returns are as follows:

	No. of Licences.	No. of Com- missions of Bankrupt.	Per Cent.		No. of Licences.	No. of Com- missions of Bankrupt.	Per Cent.
1800	702	4	0.57	1820	769	4	0.52
1810	782	20	2.50	1821	781	10	1.30
1811	779	4	0.51	1822	776	9	1.16
1812	825	17	2.00	1823	779	9	1.15
1813	922	8	0.87	1824	788	10	1.27
1814	940	27	2.86	1825	797	37	4.64
1815	916	25	2.72	1826	809	43	5.31
1816	831	37	4.45	1827	668	8	1.19
1817	752	3	0.40	1828	672	3	0.44
1818	765	3	0.39	1829	677	3	0.44
1819	787	13	1.65	1830	671	14	2.08

NOTE.—The years do not strictly correspond—the licence year running from October to October, whilst the failures appear to relate to the calendar year.

¹ *Banks and Bankers*, by Daniel Hardcastle, Jr. [*pseud.* of Richard Page]. 2nd Edition, 1843, Appendix, p. 418 *et seq.*

² The figures since 1808 only are quoted, since it is these years alone which afford comparison with the number of licences granted to country bankers.

It is necessary to qualify in a good many respects the first impressions made by this table.

Firstly, the figures do not include failures among London bankers. London was not only the most important commercial and financial centre, almost wholly dependent on the private bankers for banking accommodation, but as the London bankers and discount houses acted as intermediaries and correspondents for country houses, failures amongst the London houses had repercussions wider in scope and graver in nature than those associated with failures of country banks: to that extent the position is understated.

Secondly, the figures refer to failures among institutions and do not give an estimate of the aggregate balance-sheet figures involved: if it were possible to obtain these the true position might be more favourable or more alarming than the present results indicate.

Thirdly, it is quite clear that the peak years of banking failures correspond to the years which represent a turning-point in the trade cycle.

Fourthly, it is very difficult to assess the objective significance of these figures—to say, in other words, whether, given the circumstances of time and place, a rate of failure higher or lower than this ought to have existed. The country bankers argued that these figures, taken in conjunction with the actual loss finally sustained by the creditors of the country banks, showed that British banking was being conducted with a high degree of skill and prudence: contemporary public opinion thought otherwise.

For a state of affairs which called for reform two causes were assigned by contemporary opinion. In the first place, it was generally urged that the unchecked power to issue notes, and especially £1 notes, which circulated widely in the payment of wages, placed too much power in the hands of the country banks (the London private bankers had ceased to issue notes and

circulated Bank of England notes exclusively). They were thereby enabled to over-expand in periods of up-swing, whilst the state of the law did not force them to hold adequate cover. The second defect to which attention was directed related to the size of the banking unit: apart from the Bank of England, no bank issuing notes could legally consist of more than six partners, though it was subsequently to be made clear that the law as it stood did not present any obstacle to the establishment of non-issuing banks with more than six partners. The financial standing of the partners of such banks varied, of course, very greatly. Some were men of great wealth; some were mere adventurers trading on the possibility of issuing notes. The presumed necessity of possessing a right of note-issue thus worked out to make it easy to form small banks, not all of which possessed the necessary financial resources, and to discourage the formation of large banks.

It was difficult, if not impossible, under these conditions to encourage the formation of branches, and thus to enable the geographical spreading of risks to take place. Again, since these banks were all private partnerships, it did not seem to be necessary to insist upon publication of accounts, for there were no outside proprietors to be kept informed of the state of their property. The smallness of the number of partners made it difficult, also, to attract large capital from outside. The protection afforded to the depositor and the note-holder consisted in the reputation of the partners, their reputed or their known wealth and, from the legal standpoint, in the circumstance that the whole of the property of the partners was liable to be called upon to pay the debts of the establishment.

Looking at the whole position as it then was in the light of a further century of banking experience, it is not difficult to see that—making all allowance for the much greater importance of note-issue than as compared with the present day—the defects of structure were a much more serious

matter than the right to issue £1 notes, or the right to issue notes of any kind. A century ago opinion was perhaps inclined (though it is difficult to be positive on such a point) to place greater importance upon the limitation of note-issue as a means of overcoming the defects of contemporary commercial banking than the facts warranted: at any rate, when reform measures began to be taken, both the defects of structure and the defects of note-issue were involved in the amending legislation.

A system of banking such as existed in England and Wales a century ago is explicable only by reference to historical facts: it no more represented a 'natural' evolution than does the survival of thousands of small banks in the United States to this day. The small 'unit' bank of the United States is a product, not of economic, but of political and legal forces; the same may be said of the banking system of England and Wales at the time now under discussion. The fundamental and dominating factor in the situation was the 'monopoly' of the Bank of England. A long series of Acts—the latest in date then being the Act 39 & 40 Geo. III, c. 28—had effectually prevented banks of issue with more than six partners from competing with the Bank of England: it was not even clear that non-issuing banks with more than six partners were legal, and it was certain it would require a modification of existing legislation to accord to banks with more than six partners the right of note-issue.

The legal facts thus put the Bank of England into a very strong tactical position; so long as its legal privileges had not lapsed, it was able to bargain with Government and, in the last resort, by withholding consent or by insisting upon a modification of any proposed remedial legislation, powerfully to influence the course of events. Its power naturally varied from time to time as the complexion of Governments altered, and its moral authority throughout the period was not as great as might appear at first sight: such instructed

economic opinion as there was had inherited from the war controversies a strong bias against the Bank; extreme views of 'economic liberty' were popular, and though the Bank could count upon the support of the London bankers, its relations with the country bankers were much more equivocal. They were opposed both to any extension of the influence of the Bank in the provinces and to any modification of the banking laws which would result in increased competition. The fact that the banking interest was so divided in its outlook was a factor of considerable importance in the shaping of legislation.

IV

The beginnings of discussion between the Government and the Bank of England on a modification of the law go back to April 1822.¹ A Treasury Minute, dated 4th April, laid it down that the First Lord of the Treasury and the Chancellor of the Exchequer desired to offer to the Bank 'to propose to Parliament, to continue to the Bank of England their exclusive privileges to 1843, as far as respects the number of Partners to be concerned in any bank within fifty miles of London; provided the Bank of England will forthwith relinquish the same exclusive privileges as to all parts of England, not within that distance'.

On 26th April a formal communication was sent to the Governor and Deputy Governor of the Bank, requesting them to submit certain proposals to the Court 'in consequence of the several Conversations which we have had with you'. The Bank was offered an extension of its Charter for a further space of ten years, from 1833 to 1843, and certain other privileges, provided it would

¹ Copies of all the correspondence between H.M. Government and the Governor and Company of the Bank of England, on the subject of the proposed Renewal or Extension of the Bank of England Charter. *Parliamentary Papers*, 1822, Vol. XXI.

consent 'to a provision being inserted in an Act to be passed for that purpose, that from and after the passing of such Act, it shall and may be lawful for any number of persons, in England, acting in copartnership and residing and carrying on their business not less than sixty-five miles from London, to borrow, owe or take up any sum or sums of money, on security of their bills, in notes payable on demand, at any place exceeding the distance of sixty-five miles from London, all the individuals composing such copartnerships being liable and responsible for the due payment of such bills and notes, but that no other power, privilege or authority shall, previous to the first day of August, 1844 . . . be granted by [*sic*, ? to] any copartnership or society of persons whatsoever, contrary to the laws now in force for establishing, regulating or continuing the Bank of England; save and except the power to persons in England acting in copartnership, and residing and carrying on their business not less than sixty-five miles from London, to sue and be sued, in the name of a public officer, if Parliament should think fit to grant such authority.' No such banks were to be permitted in the London area before 1st August 1844. On 27th April the Governor intimated the acceptance of the proposals by the Court of Directors, subject to the approbation of the Court of Proprietors: on 2nd May a Court was duly held 'when they authorized the Governor and Deputy Governor to proceed in the negotiation, and to take measures to carry the same into effect'. Nothing further took place and the whole question was raised again only after the panic of 1825.

It is certain that in their plans for reforming the English banking system, the Governments of the day were greatly influenced by the comparative absence of banking troubles in Scotland. There were a few private bankers in Edinburgh, who did not issue notes, but the vast preponderance of power lay with the various banking

companies, whether incorporated by charter or great 'copartneries' with unlimited liability attaching to their shares. Scotland had not escaped great banking failures in the past—the failure of the Ayr Bank was indeed made the text of a famous sermon in Adam Smith's classic¹—and the failure of the City of Glasgow Bank half a century later, with its disastrous effects upon its unfortunate shareholders, was to cause a revolution in banking practice. English public opinion became familiar with the virtues of the Scottish system, not only through the efforts of the pamphleteers and the utterances of Ministers, but through the publication of the proceedings of two Select Committees—those of the House of Lords and of the House of Commons upon the issue of Promissory Notes in Scotland.²

Strictly speaking, these Committees were concerned with the expediency or in expediency of depriving the Scottish banks of the right to issue small notes on the lines of contemporary English legislation—a proposal which roused the fierce resentment, not only of the Scottish bankers, but of the Scottish nation, from Sir Walter Scott downwards. It soon appeared from the evidence tendered that the vast bulk of small savings flowed to the banks, and that the question of the one pound note could not be dissociated from the question of continuing the 'Cash Credit' system. The banks urged that without the right to issue notes, they would find this form of credit too expensive. Since the question of the expediency of adopting the 'Cash Credit' system was later to be raised in connection with

¹ *Wealth of Nations*, Cannan's edn., Vol. I, pp. 296–299.

² *Report from the Lords' Committee of 1826 on the Circulation of Promissory Notes under the value of £5 in Scotland and Ireland*: ordered to be printed 26th May 1826.

Report from the Select Committee on Promissory Notes in Scotland and Ireland: ordered to be printed 26th May 1826.

London banking,¹ it is as well to have a clear idea of what it then involved in Scotland. Mr. Robert Paul, the Secretary to the Commercial Bank of Scotland, thus described the system to the Lords' Committee:—

A Cash Account is the conferring of the Power or Privilege to an Individual to draw upon the Funds of the Bank to the Extent for which the Cash Account is granted; the great Purpose of Cash Accounts is to assist the Capital of Individuals; in no Case are they granted for the Purpose of affording Capital, unless it may be in the Case of Persons who may have occasion for ready money from Day to Day, such as a Writer to the Signet, beginning Business, who has occasion to make many small Payments; but in general they are granted to Persons possessed of Capital, merely for the Purpose of aiding them with the means of meeting their Daily Payments, and when they are granted there is the greatest Regard had, in the first place, to the Character and Habits of the Applicant, to the Purpose to which he can beneficially apply his Cash Account, and more especially to the Means which he has of promoting the Circulation of the Bank Notes, particularly of the 20/- and Guinea Notes. . . . In every Case of a Cash Account Security is required . . . Almost universally, at least in the Commercial Bank, it is personal Security; we must have at least Two Co-obligants with the Party to whom the Account is granted, and in many instances we have Three, Four, Five or Six: it varies according to Circumstances . . . In the Commercial Bank they are all principal Debtors to the Bank, and all bound conjointly and severally. . . . They [i.e. Cash Accounts] are generally held by industrious Tradesmen. The Class of Persons who have Cash Accounts is very various; but they are in general the industrious Class of Persons, Merchants and Traders and Farmers. . . . As soon as they fail of accomplishing the Purpose for which they are granted the Banks withdraw them. . . . It is quite necessary, in order to render a Cash Account beneficial, that there should be continued and

¹ The system of cash credits was rejected in the case of the London and Westminster Bank on the ground that 'it may be questioned whether the system can be rendered a source of profit to a non-issuing Bank without imposing heavy charges in the form of interest and commission upon the customers'—thus confirming the Scottish contentions. *v. A Record of the Proceedings of the London and Westminster Bank, etc.*, p. 8 (1847).

repeated operations upon it; that the Transactions should be numerous; that there should be a constant drawing out and paying in of Money, and that by these Means a circulation of the Bank Notes may be promoted; otherwise the Account is withdrawn, and the Great Reason of this is that these accounts are not intended to form dead loans, but to be productive of Circulation to the Bank. . . . The Securities . . . have the power of knowing from the Bank at any time the State of the Account and the operations upon it; and if from that and from other circumstances they have been led to think less favourably of the person for whom they gave the Security they can immediately cease to allow that Account to be further operated upon. . . . The interest is charged only on the Daily Balance which is drawn, not on the amount of the grant. . . . They [the Cash Accounts] are generally for small sums and . . . are never of the nature of dead loans. . . . There is a perpetual Return to the Bank and drawing out from the Bank . . . and the Bank watching the constant operations upon the Cash Account can form a pretty accurate estimate of the real Trade that the Holder of it is carrying on and very probably if they have Reason to think he was over-trading or conducting a dangerous Business, they might discontinue to allow him the Cash Account. . . . When a Cash Account ceases to be operative we write to the Party that it is no longer beneficial to the Bank, and we require him to pay it up in a certain time; and if in the course of that time it is not paid up we write to the Sureties; but in no case do we call it up without giving the Party sufficient warning; and if it has ceased to be well operated on, we may write him that unless it becomes better operated on, it will be called up. . . . On some occasions we may tell the Reasons which influenced us, but we in general give them some time to pay it up . . . We keep a Record of every Surety we have in our Bonds and if a Man offers himself as Surety for another, we may turn up this Book and see whether he is Surety for another Cash Account, and if we think him not a proper Surety, we decline him. I have known instances where, a Surety being proposed, the Directors have said: This Man is giving his Name too freely; he is becoming Surety for too many; we have him on the account of such a Person and that is enough. He is lending his name with too much facility as a Cautioner for others . . . I have known a Cash Account for £50 . . . never under £50, very seldom under £100. . . . The Transactions on Cash

Accounts are in all Sums, from ten pounds and upwards, as far as the state of the Account admits, just according to the Necessities of the Person.

Although the ultimate inspiration which guided Ministers in their reform projects was the example of Scotland, yet the details of the legislation which first permitted the establishment of joint stock banks of any kind in England and Wales were based upon legislation intended to introduce a better state of affairs than that hitherto prevailing in Ireland. Even before the abortive negotiations with the Bank of England in 1822, there had been passed the Act 1 & 2 Geo. IV, c. 72 (2nd July 1821), '*An Act to establish an Agreement with the Governor and Company of the Bank of Ireland*', etc. By section VI of the Act it became legal for a copartnership of any number of persons, 'residing and having their Establishments or Houses of Business at any Place not less than Fifty Miles distant from Dublin', to issue notes on demand 'and to make and issue such Notes or Bills accordingly . . . at any place in Ireland exceeding the Distance of Fifty Miles from Dublin, all the Individuals composing such Societies or Copartnerships being liable and responsible for the due Payment of such Bills and Notes; and such Persons shall not be subject or liable to any Penalty for the making or issuing such Bills or Notes', anything in previous legislation to the contrary notwithstanding.

This legislation thus represented a breach in the then existing privileges of the Bank of Ireland: it was provided in the seventh section of the Act that no further privileges were to be granted till the expiration of the Bank of Ireland Charter 'save and except the Power of enabling such Societies and Copartnerships as aforesaid, residing and carrying on their Business not less than Fifty Miles from Dublin, *to sue and be sued in the Name of a Public Officer, should Parliament hereafter think fit to grant such a Power*'.¹ Two

¹ Italics not in original.

important principles were thus established: the right to form note-issuing banks upon a joint stock basis and the right to sue and be sued in the name of a single person. What importance was attached to this point by the founders of the London and Westminster Bank, and what difficulties were to be put in their way, will become clear in a later chapter.

This legislation proved abortive, since it imposed a residential qualification and only promised future legislation by which the right to sue and be sued in the name of a Public Officer might be granted. Two further Acts—5 Geo. IV, c. 73 (1824) and 6 Geo. IV, c. 42 (1825)—became necessary before joint stock banking in Ireland was put upon a firm basis. The first-mentioned of these Acts,¹ as its full title implies, provided *inter alia* that actions and suits were to be commenced in the name of the Public Officer of such partnership. Judgments against such Public Officer in such actions were to operate against the partnership, and execution upon judgment in any such action might be issued against any members of the Society. The Act further required the registration of banking partnerships exceeding six in number, as well as the name of the Public Officer, who might sue and be sued.

The second Act² repealed the previous Act of 1824 except as to matters done or Acts repealed by that Act. It carried on the principle that societies of persons more than six in number might be bankers in Ireland at places fifty miles from Dublin and issue bills and notes payable on demand, every member being responsible. It enabled persons resident in Great Britain to become members;

¹ *An Act to relieve Bankers in Ireland from divers Restraints . . . and to render all and each of the Members of certain Copartnerships of Bankers which may be established liable to the Engagements of such Copartnerships, and to enable such Copartnerships to sue and be sued in the Name of their Public Officer.* (17th June 1824.)

² *An Act for the better Regulation of Copartnerships of certain Bankers in Ireland.* (10th June 1825.)

continued the principle of suing and being sued in the name of a Public Officer, but *in addition* provided that such societies or copartnerships might appoint Agents to transact 'on behalf of any such Society or Copartnership, all such Business', etc., as such Society was lawfully entitled to do.

It is necessary, however, in order to grasp the later negotiations with the Bank of England and the subsequent struggle between it and the London and Westminster Bank, to note the limitations imposed both upon the members of the society and upon any agent whom they might appoint. The powers did *not* cover the right of the agent to pay or issue at Dublin or within fifty miles of it 'any Bill or Note . . . payable . . . on Demand, or any Bank Post Bill'. The society was *not* to draw on any partner or its agent in Dublin or in the fifty mile area any bill payable on demand, or for a less amount than fifty pounds. Finally no such society was permitted to 'borrow, owe, or take up' *in England* or in Dublin or within fifty miles of Dublin, 'any Sum or Sums of Money on any Promissory Note or Bill . . . payable on Demand, or at any less Time than Six Months from the borrowing thereof. . . .' (Section IV of the Act.)

With the passage of this legislation, joint stock banking rapidly made its appearance in Ireland. The formation of the Northern Banking Company was projected in June 1824, and it opened for business on 1st January 1825.¹ More importantly for its influence on London banking, the Provincial Bank of Ireland was also projected in 1824 and opened for business in 1825.² Its head office was in London, and it soon acquired a very peculiar status among the banks of the time—its special significance for our purpose being that its first Secretary was Thomas Joplin, pamphleteer, protagonist of joint stock banking,

¹ Hill: *The Northern Banking Company, 1824-1924*, p. 31.

² Hill, *op. cit.*, p. 61.

and subsequently to be intimately associated with the formation of the National Provincial Bank,¹ whilst James William Gilbart, afterwards to be the first General Manager of the London and Westminster Bank, was Manager, first of the Kilkenny branch and, from 1829 onwards, of the Waterford branch.

At the beginning of 1826 new negotiations were undertaken with the Bank of England.² In a long memorandum addressed to the Governor and Deputy Governor, the spokesmen of the Government expressed its views. Reform demanded, firstly, the removal of that particular incitement to the 'rash spirit of Speculation' which consisted in the right of country bankers to issue notes under £5. But, important as this reform would be, 'The failures which have occurred in England, unaccompanied as they have been by the same occurrences in Scotland, tend to prove that there must have been an unsolid and delusive system of Banking in one part of Great Britain, and a solid and substantial one in the other.' The Government was perfectly willing to do justice to the great services which the Bank had rendered 'as the great centre of circulation and commercial credit', but it was not in a position fully to meet all the needs of the day, as was indeed evidenced by the great increase in the number of country banks. The Bank might try to meet these needs by extending its branches, but 'we are quite satisfied that it would be impossible for the Bank, under present circumstances, to carry into execution such a system, to the extent necessary for providing for the wants of the country. There remains, therefore, only the other plan, the surrender by the Bank

¹ v. Hartley Withers, *The National Provincial Bank, 1833-1933*, p. 29 *et seq.*, for a detailed account. For Joplin's relations with the London and County Bank, v. below, p. 335.

² Copies of communications between the First Lord of the Treasury and the Chancellor of the Exchequer, and the Governor and Deputy-Governor of the Bank of England. . . . *Parliamentary Papers*, 1826, XIX, p. 471.

of their exclusive privilege, beyond a certain distance from the Metropolis', for the 'effect of the law, at present, is to permit every description of Banking, *except* that which is *solid and secure*'.

The Bank was warned against proposing, 'as they did upon a former occasion, the extension of the term of their exclusive privilege, as to the Metropolis and its neighbourhood, beyond the year 1833, as the price of this concession . . . It is obvious, from what passed before, that Parliament will never agree to it.

'Such privileges are out of fashion; and what expectations can the Bank, under present circumstances, entertain that theirs will be renewed?'

To this very blunt declaration, the Court returned a temporizing answer: 'Under the uncertainty in which the Court of Directors find themselves with respect to the details of the plans of Government and the effect which they may have on the interests of the Bank, the Court cannot feel themselves justified in recommending to their Proprietors to give up the privilege which they now enjoy, sanctioned and confirmed as it is by the solemn Acts of the Legislature.' The Government replied that it saw no difficulty: 'After all, the simple question for the Bank to consider is whether they are willing to relinquish their exclusive privilege as to the number of partners engaged in Banking at a certain distance from the Metropolis.' Any claim for compensation is rejected, 'but if the Bank should be of opinion that this concession should be accompanied with other conditions, and that it ought not to be made without them, it is for the Bank to bring forward such conditions'.

This suggestion led to a settlement. The Bank's Committee of Treasury were 'of opinion that it would be desirable for this Corporation to propose, as a basis, the Act of the 6th Geo. IV, c. 42, which states the conditions on which the Bank of Ireland relinquished its exclusive

privilege', and drew special attention to clauses 4 and 18 of the said Act. The fourth clause recites the limitations already alluded to above; the eighteenth contains power, after judgment given against any Public Officer of such a corporation, to execute that judgment upon any existing or past members of the corporation 'at the Time when the Contract or Contracts, or Engagement or Engagements on which such Judgment may have been obtained, was or were entered into': on 28th January 1826, the Government announced its willingness to agree 'that the two clauses inserted in the Irish Act of last year and referred to in the Paper communicated by the Governor and Deputy-Governor on the 27th instant, shall be inserted in the Bill which will be necessary to give effect to the new arrangement'.

Discussion on the associated projects of limiting the small note circulation and limiting the Bank's monopoly began in the House of Lords on 17th February 1826, and in the House of Commons on 10th February. The early discussions dealt purely in generalities; it was only on the second reading in the Commons that technical criticism began to be voiced. Mr. Hume pointed out that 'as the regulations of the present Bill would prevent country banks with an unlimited number of partners from issuing their drafts payable in London, they would necessarily be so cramped in their operations, that they might as well be established in Kamschatka, for any benefit they could render to the mercantile world. They would, in effect, be cut off from all communication with the Metropolis.'¹ With this Mr. Hudson Gurney—a name to conjure with in banking circles—agreed. Friendly though he was to the Bill, it was, in fact, unworkable. 'In fact, it was a mere copy of the Irish Act of the last session, as garbled to meet the petty-fogging jealousies of the Bank of Ireland [*sic.* ? Bank of England]. It could not be conceived that such

¹ *Hansard*, 3rd Series, Vol. XIV, Col. 1259.

clauses could have originated with a great corporation like the Bank of England.¹

Suspicion of the utility of the Bill was not allayed by the subsequent debate on the Committee stage. Mr. Gurney pressed the question whether the proposed joint stock banks, under the terms of the 'safeguarding' clause, could discount bills in London. The Attorney-General gave it as his opinion, firstly, that 'such co-partnerships were precluded the right of having an establishment in London for the purpose of discounting bills'; secondly, in answer to a further series of adverse comments, that 'he certainly thought that the clause, as it now stood, went to prevent any number of bankers, exceeding six, from discounting bills in London'. Oil had to be poured upon the troubled waters by the Chancellor of the Exchequer. 'It had never been the intention of government, or of the Bank, to prevent joint-stock companies from applying their capital in discounting bills in London. However, if the words were so obscure as not to give to those companies the privileges which, by this bill, were intended to be granted to them, there could not be, on his part, any objection to introduce, at a future stage, such words as would give legal efficiency to the concessions made by the Bank.'²

This promise involved a renewed, and very complicated, correspondence with the Bank of England.³ The Government spokesmen desired (1) that the Bill should be made clear as regards the right of banks with more than six partners to discount bills in London; (2) that the Bill should not be construed to prevent London agents of

¹ *Hansard*, 3rd Series, Vol. XIV, Col. 1259.

² The debate is in *Hansard*, 3rd Series, Vol. XV, 14th April 1826, Cols. 236-244.

³ Copies of all Communications, etc., relating to any Alteration in the Privileges enjoyed by the Bank; since 3rd February 1826. *Parliamentary Papers*, 1826-27, Vol. XIV. Also reprinted as Appendix No. 2, *Bank Charter Committee*, 1832.

provincial joint stock banks paying notes in London. It was admitted that the Irish Act, which served as precedent, did in express terms prohibit the paying of notes in Dublin, but the prohibition 'is stated not to exist with respect to the provincial Banks of Ireland, because the power of so employing an agent, is said to be given by a subsequent clause in that Act, and has in pursuance thereof, been constantly exercised'. Finally the Government desired the Bank to waive the limitation of £50, below which sum, as the position then stood, provincial banks were not to be allowed to draw bills on London.

On the 20th April, at a Bank Court, the Bank passed a resolution, forwarded to Government, stating its terms. On the point of discounting the Bank gave way: 'An agent being allowed in Dublin, the Court does not object to such agent in London, provided that he does those acts only which the intended companies may lawfully do. If discounting of bills not drawn by or upon the proposed Banking companies be within those powers, this Court is not disposed to interfere.'

Next, as to the right of appointing agents to pay in London bills and notes at less than six months' sight, or under £50, the Bank expressed caution: 'This Court has only to repeat its view of the case, and to submit to a fair interpretation of it.' Finally, as regards the power of drawing on London for amounts of less than £50, 'this Court after repeated and mature consideration, cannot recommend to their Court of Proprietors any alteration, it being in the opinion of this Court essential that such a limit should be fixed and adhered to, rather than be reduced even under restrictions . . .'

The Bill finally passed, and was given the Royal Assent on 26th May 1826. *The Banking Copartnerships Act*, 7 Geo. IV, c. 46, permitted, on the lines already indicated, banks of issue with more than six partners to establish themselves at a distance of more than 65 miles from London (65

miles English being equivalent to 50 miles Irish). Such banks could sue and be sued in the name of a Public Officer: the partners were liable to an unlimited extent for all the debts of their copartnery. Demand notes and bills could be issued and made payable only at a place or places outside the 65 mile radius: bills on London could not be drawn for less than £50 or at less than six months' sight, but nothing in the Act was to be construed as preventing such corporation 'by any Agent or Person authorized by them, from discounting in London, or elsewhere, any Bill or Bills of Exchange not drawn by or upon such Corporation or Copartnership, or by or upon any Person on their Behalf'. (Sec. III.)

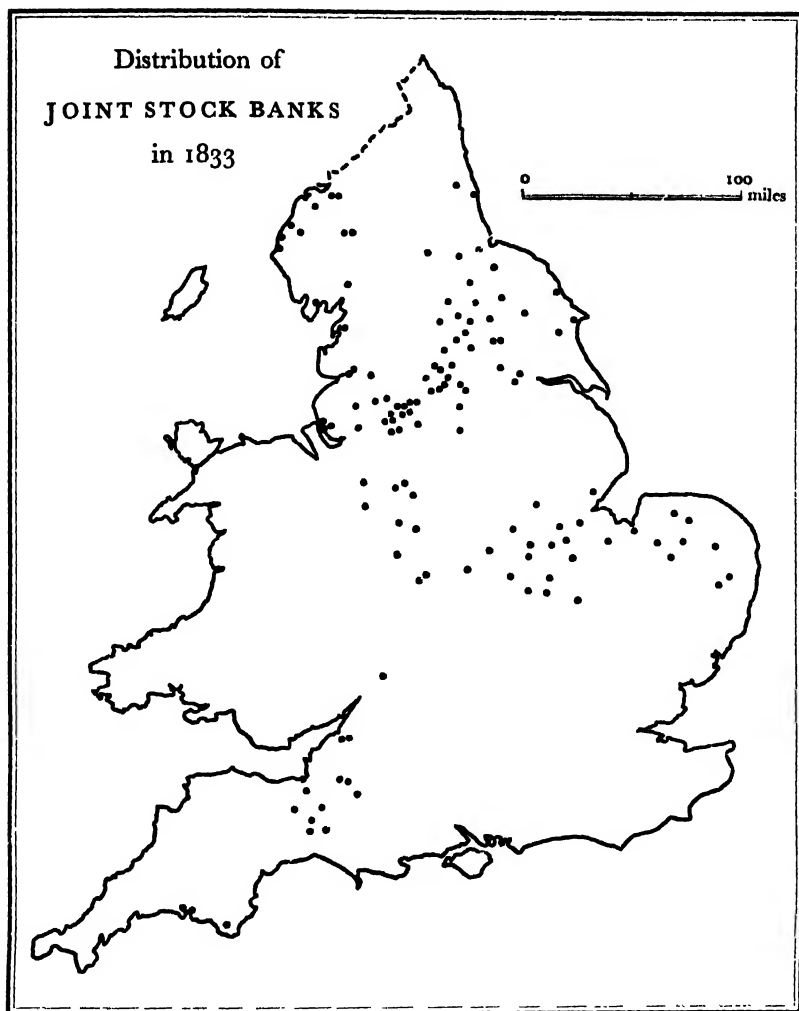
Whatever limitations might be contained in favour of the Bank of England, a wide breach had been made in the wall of protection hitherto afforded it. The modern era of banking in England and Wales had dawned.

V

On 17th July 1832, three representatives of the Bank of Manchester (established in 1829) were examined by the Secret Committee on the Bank of England Charter. As part of their evidence they handed in a return purporting to show the number of joint stock banks established under the Act of 1826.¹ Twenty banks are listed; of nine of them (some of very recent establishment) it is said 'no particulars known'. The majority of the banks were situated in the North and in the Eastern Counties, the principal exception being Stuckey's Banking Company, which represented the conversion into company form of an already existing celebrated banking partnership.

Barely a year later, a return to the House of Commons 'of all places where United or Joint Stock Banks have been established under the Act 7 George IV, c. 46' shows that

¹ *Report*, Question 4258, p. 323.



in June 1833 there were some thirty-four such banks with representation in 124 places and with no less than 7,348 partners. Of the banks on that list only a single one survives—the Manchester and Liverpool District Bank, now the District Bank.

Apart from the joint stock banks, banking accommodation was extended by the Bank of England and its eleven branches, by the London private bankers, fifty-nine in

number in 1833,¹ and by some 650 country bankers. Excluding the Bank of England and its branches, this gives some 833 banking establishments of all kinds, and would indicate that there was one banking establishment to every 17,000 of the population.

Even contemporaries, hostile or suspicious of the principle of joint stock banking, recognized that such facilities as were available were very unequally distributed, and to no part of the country did this apply more than to London. The population of London had risen from about 1,000,000 persons in 1801 to nearly 1,700,000 in 1831; within another twenty years it was to rise to nearly two and a half millions.² Yet, as Burgess's 'Circular to Bankers', the organ *par excellence* of the country bankers, pointed out in the issue of 11th October 1833,

that there is a want of proper distribution of Banking accommodations in the Metropolis, is a point which we think can admit of no doubt, and consequently it does appear to us that there is a fair opening for Banking undertakings under the guidance of skill, intelligence and prudence, and we arrive at this conclusion from reflecting upon the particular location of London Banks and upon their manner of conducting business. Almost all the Banks, except the Banks of deposit and accommodation for the Aristocracy, are clustered together within a circle of half a mile in diameter. Until recently there was no Bank in the parishes of St. Marylebone, St. Giles, St. Pancras or St. Andrew, containing in the aggregate a population of several hundred thousand inhabitants, and there is, we believe, only one Bank in that district of the Metropolis at the moment. There are five or six parts of the Metropolitan district, in which important manufactures and commerce are carried on, each containing a population varying from forty to sixty or seventy thousand souls, from the centre of every one of which there is no Bank situated so near as a mile and a half. . . .

¹ As given by F. G. Hilton Price in his well-known *Handbook of London Bankers*, based on the London Post Office Directory (Edition of 1876, pp. 224-5).

² These are adjusted figures for the 'Administrative County' plus the City. For full explanation, *v. Statistical Abstracts of the London County Council, s.v. Population.*

This shows a want of just distribution of Banking conveniences. And there is another point of view in which the want of them may be exhibited. It may be fairly stated that at least one half of the business of the great commercial Banks of the Metropolis is derived from their country and foreign correspondents. The daily transactions arising out of this kind of traffic create the necessity for the business being carried on near to the Bank of England, the sole Bank of Issue and the office where Government securities alone can be transferred. But looking at Banks founded upon the basis of the Country Banks and of nine-tenths of the Scotch Banks, viz. for the accommodation and convenience of the population surrounding their particular locations, we shall find a remarkable difference between Banking in the Metropolis and Banking in the country. In the Metropolis there is not more than one Bank to every thirty thousand people. In Edinburgh, which is not the centre of pecuniary transactions for a Kingdom—but only for Scotland—there is a Bank for every nine thousand, and within three miles from the centre of Edinburgh, that is to say, at Leith, there are other Banks carrying on extensive business. The towns of Leicester and Coventry contain collectively about sixty thousand people, and there are ten Banks in those places; if you take into calculation the scattered population of the country surrounding these manufacturing towns we shall find, as in Edinburgh, a remarkable difference in the relative Banking accommodation when estimated by the proportion of Banks to the number of inhabitants. From these circumstances it appears obvious to us that there must, within a few years, be a great extension of Banking accommodations in the metropolitan districts. . . .

Of the total resources of the banking system at the beginning of the thirties of last century, nothing is known. An interesting estimate of the situation in London is furnished by the anonymous, but clearly well informed, author of the tract, *'The London and Westminster Bank. Hints by way of encouraging the formation of a Joint-Stock Banking Company in London; with some account of the present state of private Banking in the Metropolis . . .'* (London, 1834),¹ a publication which, though obviously intended to 'push' the shares of the new bank, is written in a moderate and

¹ Institute of Bankers' Library, Pamphlet Collection, Vol. IX.

dignified tone throughout. The author estimates the resources of the City private bankers at £15 millions, those of the West End bankers at £9 millions, whilst the 'Private Deposits' of the Bank of England (i.e. exclusive of the accounts of the Public Departments, the East India Company and other corporate bodies, as well as of the 'rests', i.e. the bankers' deposits at the Bank) are estimated at some £5½ millions, giving a total of £29.5 millions. 'If from these we deduct three millions, which may be considered as deposit at interest, in the hands of some London Banks, whose principal business is town agency for powerful provincial Banking firms, the remainder—viz. twenty-six millions and a half—will be the amount deposited in the hands of the London Bankers without allowance of interest. This, therefore, is the field upon which the New Joint-Stock Bank will enter.'¹

In 1850, William Newmarch, the celebrated collaborator of T. Tooke, the historian of prices, estimated the total resources of the London bankers (private and joint stock) at £64 millions;² this implies that, if the figures of 1834 are approximately correct, the resources of the London banks had, in some two decades, increased by 150 per cent, a not impossible rate of increase in view of the rapid changes in the general economic situation.

VI

'While none of the best parts of the system pursued by London Private Bankers will be overlooked', so stated the original prospectus of the London and Westminster Bank, 'it is proposed to give such other facilities to the public as have been afforded with so much advantage to

¹ Institute of Bankers' Library, Pamphlet Collection, Vol. IX, *The London and Westminster Bank, Hints, etc.*, p. 26.

² v. Tooke and Newmarch, *History of Prices*, reprint of 1928, Vol. VI, p. 604. The figures were originally published in Vol. XV of the *Journal of the Royal Statistical Society* (May 1851).

all classes by Joint Stock Banks in Scotland, and by the various similar Establishments more recently formed in England and Ireland.'

Two facts stand out in the contemporary banking situation. The first is the limited extent to which the note circulation of the country was in the hands of the Bank of England. The total circulation of Bank of England notes in 1832 fluctuated between £15 and £17 millions, including Bank Post Bills; the average circulation of Bank of England notes issued at the eleven branches in 1831 amounted to £2.4 millions, of which amount half was issued by the Manchester branch. In spite of the fact that a beginning had already been made with the system by which country bankers entered into special arrangements with the Bank for the circulation of its notes, the total amount circulated in this way amounted only to £786,000.¹ To all intents and purposes the circulation of the Bank of England was confined to London and to Lancashire. Even in the latter county there had been recent attempts to issue local notes, and, in any case, the Bank note as currency had to meet the competition of bills of exchange—as a celebrated piece of evidence by Lewis Loyd makes clear.² The London bankers so far 'acted' with the Bank of England as to circulate its notes exclusively; at the same time it is noticeable that contemporary opinion placed some stress upon the circumstance that the London bankers were finding their deposit business being eaten into by the growth of the 'Private Deposits' of the Bank of England.

¹ *Report of the Secret Committee on the Bank Charter, 1832*, Appendix No. 48.

² 'When a Bill is drawn in favour of a manufacturer, he endorses it usually to the Person to whom he pays it, and the Person to whom he pays it pays it again to another, and it goes on often till it is covered with Endorsements. . . . I have seen slips of paper attached to a Bill as long as a sheet of paper could go, and when that was filled, another attached to that.' Minutes of Evidence, *Select C. of the House of Lords to enquire into Promissory Notes under £5 in Scotland and Ireland, 1825*, p. 299.

A second novel circumstance was the significance in the local banking of the day of what one might call 'non-banking assets'. The country banker's reputation rested, not upon the liquidity of his business, but upon the evidence of his immobile wealth. The point was very clearly put by Vincent Stuckey, the best country banker of his day, before the Secret Committee on the Bank Charter. 'A Country banker, having an estate of £6,000 to £10,000 a year in land, the farmers and persons who know the fact would doubtless prefer his paper to all the Bank notes in the world.' In certain cases, at least, even in the case of country bankers, the note circulation was not as important as the deposit business; William Beckett, of Leeds, estimated the circulation at one-fourth of the deposits; Charles Smith Forster, of Walsall, stated his circulation as one-sixth of the liabilities of his bank; Vincent Stuckey thought that 'a Banker in credit has generally as much upon his drawing and deposit accounts as he has upon his circulation'.¹

As regards rates of charges, received and paid, the situation varied in different parts of the country. Beckett, of Leeds, stated that, 'Money is lent on securities, real and personal, on the deposit of deeds and on the character and credit of the borrowers, who are generally merchants or manufacturers. . . . Interest of 2 per cent is paid on deposits that remain six months in the Bank; after that term the interest is payable on demand. . . . The accounts are made every six months; and, in running accounts, the interest due to parties is carried to their credit, charging a commission of $1\frac{1}{4}$ per cent upon the current account, where it oscillates, but not upon deposits . . . On bills discounted, 4 per cent is the simple charge. The Bank is often in advance to creditors of good character: it charges 4 per

¹ These statements, as well as those in the paragraphs below, are all taken from the evidence given before the Secret Committee of the House of Commons on the Bank Charter, 1832.

cent in such cases. The commission charged on open, or ledger, accounts is general among the Country Banks.'

Samuel Jones Loyd, the eminent Manchester and London banker (afterwards Lord Overstone), said that Manchester bankers allowed $2\frac{1}{2}$ per cent on money deposits; 3 per cent was charged on trading accounts on both sides of the ledger, with $\frac{1}{4}$ per cent commission. No commission was charged on simple discount transactions; they had grown up within six or seven years (i.e. after 1825), since money became comparatively cheap.

J. B. Wilkins, of Brecon and Merthyr Tydvil, said that his customers were generally agricultural persons with joint promissory notes, or manufacturers with trade bills; the former were, of course, not negotiable. Three per cent was allowed on deposits after six months; 5 per cent charged on the discount of joint promissory notes. Interest was seldom paid on drawing accounts, nor was commission charged, unless the account were overdrawn.

Vincent Stuckey said he required sixty days' notice on large deposits and thirty days for amounts under £1,000. He took deposits (and paid interest thereon) as low as £20—interest being at 3 per cent on small sums and 2 per cent or $2\frac{1}{2}$ per cent on larger amounts. No interest was paid on running accounts (i.e. current accounts); 'The greater proportion of our deposits are on a running account, like all London Bankers, on which we pay no interest . . . It is a principle that I have endeavoured to adopt as far as I could, that the money we take in at interest at $2\frac{1}{2}$ and 3 per cent, I lend to the agricultural interest, both landlord and farmer, at 4 or 5'.

The situation in London was different, and the elucidation of the reasons caused a spirited interchange between the members of the Bank Charter Committee and George Carr Glyn of the celebrated house which still exists. In London no interest was paid upon deposits; it had been tried in London, said the witness, and the houses that

adopted it had invariably failed. On the other hand, 'there is a commission charged upon the other side of the account, in the country, when interest is allowed, which is never done in London'. City business was essentially different from West End business. 'I should say our reserved deposit was necessarily a much larger one than the deposit at the west end of the town banker.' The rate of discount charged is 'regulated by the rate of the Bank of England, that is, 4 per cent'. Customers' paper, 'with occasional exceptions', was taken at a fixed rate; paper brought by anybody known to the banker, 'though not a customer', would 'generally' be taken at the market rate. Overdrafts to 'respectable traders' to the extent of £200 or £300 were 'frequently' given—'that sort of accommodation' would be given merely upon the opinion entertained of his good character.

The only evidence given by a joint stock bank was that presented by the representatives of the Manchester Bank. So far as current accounts were concerned, the position was that the bank charged and allowed the same amount, viz. 3 per cent, with 5s. per £100 commission on all payments. Asked whether the bank charged a commission upon both sides of the account, the witness emphatically answered, 'No, only upon the payments. We take care to get ourselves paid somehow or other; and we charge upon what we pay out upon every item, that goes to the debit of the customer's account, and to that is superadded a quarter per cent.' Deposit accounts got $2\frac{1}{2}$ per cent, as against a charge of 3 per cent for loans.

Thus it appears that, so far as loan charges and interest rates were concerned, there was no difference at that time between the joint stock bank at Manchester and the private bankers; the difference lay, not in the position of the customer (competition would see to that), but in the position of the bank. The highest type of country banker did not rediscount in London; 'it is not an unusual thing,

certainly,' Samuel Jones Loyd told the 1832 Committee, 'but we do not consider it to be the act of a banker of first-class character and conduct, by any means'. It was 'certainly not' the 'general mode in which Country bankers conduct their business'. The Bank of Manchester *did* rediscount, and for the next thirty or forty years, until the amalgamation movement was well under way, one of the major issues of British banking policy was to be the extent to which joint stock and other bankers could legitimately borrow by means of endorsed bills sold in the London Money Market. For London joint stock banking had hardly begun before one of the major criticisms of joint stock banking was precisely to be the degree to which the new banks were relying on this method of meeting the needs of their customers.¹

¹ It is important to notice that S. J. Loyd's views were not (for very good reasons) shared by Samuel Gurney, the eminent bill broker. Asked by the 1832 Committee whether 'it is usual for bankers in good credit to discount bills in London which they have already discounted in the country', he answered (Question 3744): 'Yes, of first-rate credit; we discount sometimes for the first houses in this Island, and the most wealthy; bills which they discount at a high rate of discount, we discount for them at a low rate.'

CHAPTER II

THE BANK CHARTER ACT OF 1833 AND THE 'DECLARATORY CLAUSE'

As already pointed out, joint stock banks with the power to issue notes had been permitted outside a sixty-five mile radius from London by the Act of 1826 [7 Geo. IV, c. 46], and the concurrence of the Bank of England had had to be obtained to this invasion of what appeared to be its statutory monopoly. Any further extension of joint stock banking, i.e. within the sixty-five mile circle, involved, therefore, either fresh legislation (in so far as the then existing privileges of the Bank of England barred the way) or a re-interpretation of the monopoly privileges of the Bank.

Prior to the passage of the Act 7 Geo. IV, c. 46, the latest formulation of the privileges of the Bank of England had been contained in the Act 39 & 40 Geo. III, c. 28—'An Act for establishing an Agreement with the Governor and Company of the Bank of England for advancing the Sum of Three millions towards the Supply for the Service of the Year One thousand eight hundred', passed on 28th March 1800.

By section XV of that Act it was enacted that:

to prevent any Doubts that may arise concerning the Privilege or Power given, by former Acts of Parliament, to the said Governor and Company, of exclusive Banking, and also in regard to the erecting any other Bank or Banks by Parliament, or restraining other Persons from Banking during the Continuance of the said Privilege, granted to the Governor and Company of the Bank of England, as before recited; it is hereby further enacted, and declared, That it is the true Intent and Meaning of this Act, that no other Bank shall be erected, established, or allowed by Parliament; and that it shall not be lawful for any Body Politick or

Corporate whatsoever, erected or to be erected, or for any other Persons, united or to be united in Covenants or Partnership, exceeding the Number of Six Persons, in that Part of Great Britain called England, to borrow, owe, or take up, any Sum or Sums of Money on their Bills or Notes, payable on Demand, or at any less Time than Six Months from the borrowing thereof, during the Continuance of the said Privilege to the said Governor and Company, who are hereby declared to be and remain a Corporation, with the Privilege of exclusive Banking, as before recited, subject to Redemption on the Terms and Conditions beforementioned. . . .

The legal point upon which everything turned was therefore the following: did the then existing privileges of the Bank of England prohibit the creation, within the sixty-five mile limit, not only of banks 'erected, established, or allowed by Parliament' or 'Bodies Politick or Corporate' intended to carry on banking business in any form, and all banking partnerships with more than six partners (*intending to issue notes, etc., payable on demand*), but *also* of partnerships involving more than six partners (other than 'bodies politick or corporate, etc.') which did *not* intend to issue notes, etc., payable on demand?

From the standpoint of economic expediency, though not of law, the current interpretation of the privileges of the Bank of England had been challenged much earlier than 1833. In his celebrated *Essay on Banking*, Joplin, almost a decade earlier, had insisted upon the circumstance that, if the object of the monopoly was to safeguard the note-issuing rights of the Bank, it would be better to do so by express enactment, thus leaving all banks other than those issuing notes to have as many partners as they liked. 'The only permanent and substantial good which the Bank derives from the clause in its Charter', he wrote, 'is the monopoly of the circulation in London and its neighbourhood. The circulation of Lancashire . . . cannot be depended upon. Now, a worse way of securing the circulation of London cannot be conceived. The object is to prevent the bankers in London from using Notes; and the manner of

doing it is to weaken their credit and keep it so low that they dare not attempt to do so. Nothing would be more simple, nor more effectual, than to pass an Act to prevent their issuing them. . . . Nothing, in fact, can be more absurd than the present manner in which the monopoly of the Bank is secured, while its baneful influence extends to every part of the country. . . . All, therefore, that the country requires is that the monopoly of the Bank of England be secured to it in a more simple and direct manner. That in lieu of the clause enacting that not more than six partners shall enter into Banking partnerships, it be enacted that no Banks shall issue Notes within the boundaries of the present monopoly. In doing this, there is no infringement of the rights of the Bank. The object of its Charter is to give it an exclusive privilege, which, by this alteration, will be the more effectually preserved; for it is merely incidentally secured by the present terms of it.¹

There is in this passage no *explicit* recognition of the fact that the Bank's monopoly did not protect it from the establishment of non-issuing banks, though, at a later stage, Joplin did make this discovery:² the *definite* ascertainment of legal facts was reached at a very late stage of the negotiations with the Bank which became necessary before 1st August 1833, when the privileges of the Bank were due to expire under the Act of 1800 [39 & 40 Geo. III, c. 28].

In preparation for these negotiations, Government had in 1832 appointed a Parliamentary Committee of Enquiry.³ 'That Committee sat for a considerable space of time; and though they did not conclude their examinations so as to be able to lay a full Report before the House, yet such have been the examinations and such the extent of the inquiry into which they entered, as to make me think the subject

¹ Joplin. *Essay on Banking in England and Scotland*, cited from the 6th Edition of 1826, pp. 241-2.

² *v.* Appendix to *Essay*, p. 113.

³ Secret Committee on the Bank Charter, 1832.

had been sufficiently sifted and, therefore, that it was not desirable that the Committee should be renewed.' With these words Viscount Althorp, the Chancellor of the Exchequer, dismissed the labours of the Committee when, on 31st May 1833, he introduced¹ the resolutions which were to form the basis of the new legislative regulation of the Bank's monopoly. In spite of his claim that he was in part deviating from precedent in making 'the proposition from my own suggestion, without the form of first obtaining a demand from the Bank of England', he had, in fact, been in communication with the Bank of England since 1st April of that year.²

Among the original proposals put forward by Government for acceptance by the Bank of England were some directly bearing upon the question of joint stock banking:

1. No Bank shall be established within the Metropolis, or within twenty-five miles from London, consisting of more than six partners; but that Banks established at a greater distance, whatever may be the numbers of their partners, may issue notes payable in London, and shall also be relieved from all the restrictions at present imposed upon them as to drawing bills upon London.
2. All Banks in which there are more than six partners, shall be considered Joint Stock Banks.
3. No such Joint Stock Bank shall be established within the Metropolis, or within twenty-five miles from London, nor shall any such Joint Stock Bank be established or permitted in any part of England and Wales, except by a Charter from the Crown, which it shall be in the power of the Crown to refuse if it shall so think fit.

¹ *Hansard*, 3rd Series, Vol. XVIII, Cols. 169 *et seq.*

² On what follows, the authority is, primarily, *Parliamentary Papers*, 1833, Vol. XXIII: 'A Copy of all Correspondence and Minutes of any Conferences between the Government and the Directors of the Bank of England . . .' and 'Copies of all Communications that have passed between the Government and the Bank of England, having reference to the Terms on which the Renewal of the Bank Charter is to take place . . .'

An important distinction was to be drawn between issuing and non-issuing joint stock banks. The former were to be subject to unlimited liability: half their capital was to be paid up and invested in Government or other available securities and they were to publish accounts periodically. Non-issuing banks were to be subject only to the limitation that their shares were not to be less than £100 each in value.

On 11th April the Bank Directors passed a minute of protest. The Government had offered only a ten-year extension of the Charter of the Bank, whilst it appeared to the Bank that 'a frequent interference with the monetary system, and the channels through which it is administered, is an evil of no ordinary magnitude'. The Bank equally objected to the alteration of the sixty-five mile limit: 'if the principle of continuing the exclusive privileges of the Bank, as the pivot of the whole circulation of the kingdom, be sound, they are not aware upon what grounds it can be desirable to contract the sphere of its present action . . . It has not been shown that the public are sustaining inconvenience from the present limits, nor that greater advantages would be afforded to the community by the issue of notes by other bodies than the Bank within that circle'.

On 15th April, after an interview between Government and the Governor and Deputy Governor, the Court put forward new proposals, 'supposing the general regulations alluded to in your Lordship's letter of the 1st instant to be adopted by Parliament'. The Bank desired the privilege to be continued for twenty-one years from 1st August 1834, and that 'No Joint Stock Bank be chartered for issuing paper money within *sixty-five* miles of the Metropolis.'

To these terms Viscount Althorp substantially agreed. The Charter was to be renewed for twenty-one years, subject to the possibility of a break at the end of eleven years, on one year's notice being given. Further, 'that no Banking Company, consisting of more than six partners, shall issue

notes, payable on demand, within the Metropolis, or within sixty-five miles from the Metropolis. Banking Companies, however, consisting of any number of partners, established at a greater distance from the Metropolis than sixty-five miles, shall have the right to draw bills on London, without restriction as to their amount, and to issue notes payable in London.' This was on 2nd May 1833; on 4th May the Bank agreed to the terms.

The position then was this. The Bank was to be protected against the establishment of *any* joint stock bank within the sixty-five mile limit, and, *a fortiori*, therefore against the establishment of any note-issuing joint stock bank. The Bank was, however, explicitly *not* protected against joint stock banks *outside* the sixty-five mile limit, issuing notes payable on demand in London or *within* the sixty-five mile circle. These assurances were an integral part of that 'bargain' of which much more was to be heard in subsequent weeks. In return the Bank was prepared to reduce the amount payable for the management of the National Debt by £120,000, 'which I think a considerable sum', said Althorp, 'though some Gentlemen may perhaps think that we ought to obtain more'.

The introduction into the House of Commons of the new measures regulating the position of the Bank of England took the form of the tabling of a series of eight resolutions.¹ The sixth of these expressed the opinion 'that it is expedient to give facilities by the grant of royal charters for the establishment of joint-stock banks, at a certain distance from London; but that every such royal charter shall contain certain stipulations . . . with respect to all such chartered banks', whilst the eighth resolution simply expressed the view that 'it is expedient to make provision with regard to joint-stock banking companies'. In the speech supporting these resolutions, Althorp said

¹ *Parliamentary Papers*, 1833, Vol. XXIII, and *Hansard*, 3rd Series, Vol. XVIII, Col. 186.

that 'the definition of a Joint Stock Company should remain as at present; every Banking Company, consisting of more than six partners, is to be taken to be a Joint Stock Company . . . and all Joint Stock Companies shall, in future, be established by Charter. By this regulation I do not wish, in the least degree, to interfere with the establishment of Joint Stock Companies, but, in order that those establishments should be properly regulated, I think it desirable that the conditions should be fixed by Charter. I do not, of course, apply this provision to Joint Stock Companies already existing; I would give them a certain period to decide whether they will or will not apply for a Charter . . . I propose that no Joint Stock Bank of issue shall be established within a less distance than sixty-five miles from the Metropolis . . . I propose, however, to give the Crown a right to refuse the grant of such Charters, and it is by no means desirable that such a Charter should be granted as a matter of course. *Joint Stock Banks issuing the paper of the Bank of England may be established, of course, within a shorter distance of the Metropolis.*'¹

Now, if the words italicised be compared with the original 'offer' of the Government to the Bank of England, it is clear that from the very beginning of the Parliamentary discussion a fatal ambiguity was allowed to develop: did the original offer mean what it said or not? If it did, it meant (1) all joint stock banks were henceforward to be chartered, (2) no such chartered bank would be permitted in the London area. Yet in the very speech which introduced the new scheme Althorp takes it as a 'matter of course' that joint stock banks may be established within the sixty-five mile radius, provided that they issued Bank of England notes! Was he thinking of a new category of banks, both non-chartered and non-issuing? Yet this would have been in clear contradiction to other parts of his speech. It would not have been surprising if the Bank

¹ *Hansard*, 3rd Series, Vol. XVIII, p. 183, italics not in original.

had at once protested: in fact, it took some weeks before the Bank took alarm, and by that time the attitude of Government had undergone a considerable change.

On 12th June 1833, the Committee of Country Bankers addressed a long and bitter memorial to Althorp¹ 'on Matters concerning the interests of the Body whom they represent', protesting against the whole spirit of the Government plan. Apart from attacking the Bank of England and protesting against their exclusion from any direct negotiations with Government, which had nevertheless 'been holding private and confidential communications on the subject with Bank Directors and London Bankers, who may have interests opposed to those of your Memorialists', they attached great tactical importance to the argument that whilst they themselves were to be exposed to the competition of 'privileged Corporation Banks', the London bankers were to be protected. 'The number of London Banks', the Memorial remarks, 'that have failed is believed to be relatively greater, and the amount of their debts relatively larger, than of Country Banks; yet an unfair competition, tending, from the nature of the system which encourages it, to foster improper speculations, is promoted against them in the country, while they are themselves excluded from having recourse to the same kind of supposed security for their deposits in London. Your Memorialists notice this to mark its injustice towards them, without giving any opinion of the soundness or unsoundness of the policy of raising up Joint Stock Banks in London to act in rivalry with the Bank of England. They protest against the partiality and injustice of the Government in applying a rule'. It is, at any rate, clear that the country banks also interpreted the Government's policy as involving an exclusion of joint stock banking in London.

¹ Copies of Memorials from Committee of Country Bankers to the Treasury. . . . *Parliamentary Papers*, 1833, Vol. XXIII.

To the opposition of the country bankers Althorp found himself forced to make concessions. On 3rd July 1833 he is found writing to the Governor of the Bank that, 'Finding the opposition of the Country Bankers too strong for me on the question of limited liability, my Colleagues have decided that I must not persevere in this proposition. I shall accordingly postpone till next Session any measure relative to Country Banking', except legislation dealing with a minor point.

The Bank Court were then asked, in view of the withdrawal of the 'encouragement which I intended to hold out for the formation of Joint Stock Banks', not of issue, whether they continue to regard themselves 'bound by anything which has passed between you and myself', or whether, on the contrary, they 'decline accepting the terms as they will now stand'.¹

On the next day, 4th July 1833, the Bank Court, 'observing by the Parliamentary Votes, that the Resolutions have passed the Committee of the House of Commons, with the exception of the sixth and eighth Resolutions, the Court is of opinion, that it will be advisable to adhere to the terms agreed upon for the renewal of the Charter, notwithstanding the postponement of those Clauses'. But thereafter the matter took a very different turn.

On 6th July the Deputy Governor wrote to the Chancellor of the Exchequer protesting against 'an alteration in the Banking Bill materially affecting this Corporation. It was agreed between your Lordship, acting on the part of His Majesty's Government, and the Court of Directors, that the restrictions *at present* operating to prevent the establishment of Banks within Sixty-five miles of London, *would be continued*, except that Banks at a greater distance should be allowed to draw on London. . . . In conformity with this agreement, it was expressly stipulated by the Draft of the Bill, approved

¹ Althorp announced the same decision to the House of Commons on the same day. *Hansard*, 3rd Series, XIX, Col. 82.

by Mr. Harrison, the Counsel of the Treasury, that no Bank having more than Six Partners should carry on or transact *any* Banking business within the Metropolis, or within Sixty-five miles thereof.'

'The provision in question had been submitted to the Court of Directors, and was stated to the Court of Proprietors as one of the points agreed between this Corporation and His Majesty's Government.'

'I am now informed that the above provision has been struck out of the Clause. The Bank not having received any communication from your Lordship on the very material alteration which such an omission would produce in one of the most essential points of the Banking system of this Country, I have taken the earliest opportunity of submitting the same to the Committee of Treasury, who presume to express their hope that the omission has arisen by mistake.'

It is clear, from the official reply, received a week later, that the view of the Bank, as to the nature both of their existing monopoly and of the undertaking given by Government, was still shared by the latter. On 12th July the Governor was informed that 'Lord Althorp has spoken to Mr. Harrison . . . and has directed him *to do what may be necessary to remove the cause of your alarms*. Lord Althorp has no objection to Mr. Freshfield being put in communication with Mr. Harrison, *that this object may be effected to your satisfaction*'.¹ But thenceforward the official attitude was decidedly to change.

The final stage of the discussion on Althorp's resolutions had taken place on 3rd July, giving the Government a majority of 88. On 2nd August the Bill was read for a second time. In the interval between 12th July and the next communication from the Bank of England there had been verbal communications with Government. On 6th August the Governor and Deputy Governor reported

¹ Italics not in original.

the view of the Committee of Treasury—‘and we feel that we should be acting disingenuously by your Lordship if we did not state explicitly that it is their conviction, as well as our own, that Banks of Deposit cannot be permitted within the limit intended to be fixed as the local limit of the Bank’s exclusive privilege, without a positive infraction of the agreement made between His Majesty’s Government and the Bank of England, and frequently recognized by your Lordship. The Directors, therefore, rely upon the good faith of the Government to give them the full benefit of that agreement’.

The Bank was thus still relying upon the terms of the ‘bargain’. Lord Althorp, upon the same date, in a further letter, virtually repudiated the ‘bargain’, in so far as London joint stock banks of deposit were concerned, on the ground of a ‘misunderstanding’ of the *de facto* position of the Bank. ‘The promise which I made in conversation, that I would insert a provision in the Bank Charter Bill to prevent the establishment of Joint Stock Banks of Deposit nearer the Metropolis than Sixty-five miles, *was on the supposition that such was at present one of the exclusive privileges of the Bank of England: I never intended or contemplated the increase of these exclusive privileges.*¹ I have, therefore, now to state to you, that I think it will be inconsistent with my public duty to propose this alteration in the Bill.’ If the Bank were not willing to accept the Bill other than with this provision, the whole matter would have to be reconsidered in a later session.

Next day the Bank returned to the attack in a letter which rested its case explicitly upon the legal point that *existing legislation* did, in fact, prevent the establishment of joint stock banks of deposit within the sixty-five mile limit, so that any agreement made by Government with the Bank was necessarily to be read subject to the terms of existing legislation. When negotiations with Government

¹ Italics not in original.

were undertaken, 'the privileges of the Bank, as they then existed, precluded Parliament [see 39 & 40 Geo. III, c. 28, s. 15] from erecting, establishing or allowing any other Bank during the continuance of the privilege . . . and even persons who did not carry on the business of Banking, if united in a partnership of more than Six, were prohibited from borrowing, owing or taking up money upon their Bills, etc. . . . Although many attempts have been made to evade the operation of the 39 & 40 Geo. III, c. 28, and the advice of the ablest Lawyers has been sought with that view, yet it was found impracticable to carry on any Banking business by Joint Stock Companies, except so far as they were allowed by the Act of 7 Geo. IV'. The Bank, therefore, whilst disclaiming any intention of demanding more than the safeguarding of what it regarded as its existing rights, forwarded a draft clause, 'hastily prepared by the Solicitor of the Bank . . . which, if adopted in principle, . . . will be open to further consideration on the part of the law officers of the Bank, in order that the Corporation may not be prejudiced by the haste in which it has been penned for the purpose of illustration. . . .'¹

In two separate letters, dated upon the two subsequent days, Althorp rejected the clause proposed by the Bank, after consultation with the Law Officers of the Crown, their advice being that the proposed clause 'does not interpret the law correctly'. (Letter of 9th August 1833.)

The Chancellor therefore sent the Bank a new clause, demanding acceptance or rejection by three o'clock of the same day, 'with a view of removing the ambiguity which at present exists upon this point, while it at the same time . . . neither adds to nor takes away from the exclusive privileges of the Bank of England'. On the same day, under protest, the Bank of England surrendered: the Court held the view that the proposed clause 'does *not* carry into effect, either literally or substantially,' the terms of the

¹ *v* Appendix I to this chapter, p. 50.

bargain with the Bank; moreover it *did* 'take away from the exclusive privileges of the Bank of England, yet considering the importance of concluding the transaction, and of relieving commerce from the inconvenience of further delay, it is the determination of the Directors to submit to the terms now proposed by' Government.

The further history of the declaratory clause is part of the parliamentary history of the Bank Charter Bill. The Bank had been faced with an urgent decision because the Committee stage of the Bill was due to begin on the same day as the despatch of the 'ultimatum'. At a very early moment, i.e. on the discussion of Clause 2 of the Bill, the Chancellor of the Exchequer publicly announced his change of front,¹ but the real debate took place next day, 10th August, when the Solicitor-General brought in the proposed clause 'by way of rider', saying 'that it had been prepared to put beyond all doubt the right to establish banks of deposit within the Metropolis and sixty-five miles round it'.

Althorp necessarily threw the responsibility for the new position upon the Law Officers; 'when doubts had been started, he felt it necessary to consult the law authorities; and their opinion was most distinct and clear, that by the law as it at present stood there was nothing to prevent banks of deposit, composed of more than six partners, being established within the metropolis.'¹

The Solicitor-General had necessarily to be more explicit and technical.² Proper construction of the previous legislation showed that the object of that legislation was 'that the monopoly should be confined to the issue of paper money . . . Banks of deposit were lawful at common law, and therefore it rested with those who said that it was forbidden to establish such banks of deposit to show by what Act they were forbidden. . . . Such were the opinions he

¹ *Hansard*, 3rd Series, Vol. XX, Col. 469.

² *Op. cit.*, Cols. 496-498.

entertained upon the subject, and such were the opinions of eminent men of the profession to which he had the honour to belong.'

The only opponent was Mr. Alderman Thompson, who, representing the Bank, urged 'that there were lawyers¹ of great eminence who entirely disagreed with that learned Gentleman as to the right of establishing banks of deposit in London or within sixty-five miles of it, with more than six partners. He had always understood that Parliament legislated for the purpose of settling disputed questions; and when conflicting judgments had been given upon points by Courts of Justice, he had a right to contend that the interpretation he had put upon the law, which was different from that of the learned Solicitor General, was the right one, because it had never been questioned in a Court of Justice, and had been universally acknowledged and acted upon by mercantile men'. A minor amendment having been rejected by a majority of thirty-three, the clause was agreed to, seemingly without any further division.

This did not end the matter, even in the House of Commons. The third reading was moved by Lord Althorp² on 19th August, and again the question of the declaratory clause was raised. In the interval between the Committee stage and the third reading, the Court of Proprietors of the Bank of England had protested vigorously against the policy of the Government as embodied in the declaratory clause: the Court felt 'bound in justice to its own character, to protest against the treatment it has experienced at the hands of the Chancellor of the Exchequer, who has, in the opinion of this Court, most improperly and unjustly departed from the terms of his own proposition; and after having engaged to grant certain privileges to the Bank, on consideration of stipulated pecuniary concessions, has since determined to

¹ *v.* Appendix III to this chapter, p. 54.

² *Hansard*, 3rd Series, Vol. XX, Col. 764.

withhold from the Bank some of the most important of those privileges, without making a corresponding abatement in the pecuniary concession. That, although this course of procedure, and the violation of the contract fully justified the Bank in rejecting the arrangement *in toto*, this Court, considering the extensive injury to the public interest that might be the result, and considering that a new range of prices had been made up in the conviction that the question was settled, is unwilling to assert its undoubted rights at such hazard, and authorizes the Court of Directors to submit to the arrangement'.¹

The declaration of the Bank was used by one of the speakers as an argument against proceeding with the Bill, which he objected to in any case as too generous to the Bank (Mr. Clay): another protested that he still remained in great doubt about the whole matter (Mr. Herries) and lamented 'that the Bill and the clause introduced in Committee, not being as yet in print, were not sufficiently circulated or understood by hon. Members'.

It was necessary again for the Chancellor of the Exchequer, the Solicitor-General, and the Attorney-General to intervene in the debate. Althorp's² tone was decidedly apologetic: 'he admitted that contrary opinions had been given on this subject, of which he had not previously been aware, when he stated that no barrister had given a different opinion from what he then stated. . . . He felt that it was very difficult for him to explain his sentiments upon this subject, but he could assure the House, that it was his firm conviction, that the Bank of England would not be deprived of any of its privileges by this clause'. The motion that the Bill be read a third time that day six months having been defeated by a majority of 47, the Bill was then read for a third time.

The Bill (and the declaratory clause) had now to run the

¹ *Hansard*, 3rd Series, Vol. XX, Cols. 766-7.

² *Op. cit.*, Col. 774.

gauntlet of the House of Lords. On Friday, 23rd August 1833, the Committee stage took place. The motion was moved by the Earl of Ripon: no less a person than the Iron Duke himself entered the lists against the proposed legislation. He denounced it as a breach of the intended bargain with the Bank, but the real question was, 'whether the arrangement that firms of more than six partners might in future establish deposit banks in the metropolis would not be highly prejudicial to the interests of the Bank of England and very dangerous to the general interests of the country?' The existing system worked quite well and gave general satisfaction: 'But it was in its consequence upon the security of the Bank of England, the change was chiefly to be dreaded. One of the main resources of advantage as well as security to the Bank of England, was the large deposits it constantly received from private banking firms, which source would be at once cut off by the establishment of a number of deposit banks. At present, the banks of deposit were few in number, and consequently merchants and capitalists of all kinds occasionally placed very large sums for security in the Bank of England; but when the capital of the country became scattered over a number of deposit banks there would be little or no necessity for any such security, and, consequently, the Bank would gain nothing by the deposits of private individuals.'¹

He was followed in his opposition by Lord Wynford in a devastating speech. 'If the professional advisors of the Government had really thought that the law was as declared in the clause in question, why had more than a usual declaratory clause been inserted? . . . This discovery of the supposed meaning of the law was at least quite new, and it was surprising, indeed, that commercial men, usually so acute in matters relating to the advancement of their own affairs, should not before now have discovered the real meaning of the laws, and have applied the discovery

¹ *Hansard*, 3rd Series, Vol. XX, Col. 852.

to their own advantage. . . . It was clear also from the correspondence between the Chancellor of the Exchequer and the Bank Directors that, in the early period of the progress of the Bill, it was supposed by all parties that the Bank of England had the exclusive monopoly of banking of every description within the prescribed limits, and as the basis of the arrangement was that all the privileges hitherto enjoyed by the Bank should now be confirmed to them, he did not see upon what principle of justice the other disposition had been subsequently made.' He concluded by moving an amendment to submit the question to the King's Judges.¹

The Lord Chancellor having briefly replied on the legal points involved in the declaratory clause, the argument against any change was taken up by Lord Bexley, who made the first reference in either House to the activities of the group promoting the London and Westminster Bank. 'One fact was decisive,' he declared, 'that neither the Bank of England nor the public believed that such was the law (as now declared), namely, the fact that, on the one hand, no such joint-stock banks were ever thought of during the joint-stock mania, while, on the other hand, forty-eight hours had not elapsed from the moment that it was promulgated, on the authority of the law officers of the Crown, that such might be legally established, before a prospectus, involving a capital of 10,000,000*l.*, was issued and acted upon.'²

Lord Wynford's amending motion was lost. So was a further amendment, also moved by Lord Wynford, 'that the entire clause be omitted, and that a clause ensuring the Bank of England all the exclusive privileges granted by the 39th and 40th of George 3rd, and confirmed by the 7th George 4th, be substituted'.

¹ For Resolution, *v. Hansard*, 3rd Series, Vol. XX, Col. 858.

² *Op. cit.*, Col. 861.

But the passage of the Bill was still to afford a surprise. On 26th August the third reading was moved by Lord Auckland. Again the Duke of Wellington opposed, but there was practically no discussion. The Bill was read a third time, but four peers insisted upon entering a protest in the Journals of the House—a protest mainly concerned with the ‘Declaratory Clause’, duly retained as section III in the Act (3 & 4 Will. IV, c. 98) as finally passed.

Henceforward there could be no doubt ‘That any Body Politic or Corporate, or Society, or Company, or Partnership, although consisting of more than six persons, may carry on the trade or business of Banking in London, or within sixty-five miles thereof, provided that such Body Politic or Corporate (etc.) . . . do not borrow, owe, or take up in England any sum or sums of money on their Bills or Notes payable on demand, or at any less time than six months from the borrowing thereof, during the continuance of the privileges granted by this Act to the said Governor and Company of the Bank of England.’

APPENDIX I

(A) *The Declaratory Clause proposed by the Bank of England ran as follows:*

Be it Enacted, That such part of the provisions of the Act of 39 & 40 Geo. III. as relates to the determining of the said Corporation of the Governor and Company of the Bank of England, upon the notice and payments therein mentioned, shall be and is hereby repealed and made void, and that all the privileges heretofore given to the said Governor and Company of exclusive Banking, and also in regard to restraining the erecting, establishing or allowing any other Bank or Banks by Parliament, and restraining other persons from Banking, and which are recited and enacted in the Act of 39 & 40 Geo. III. shall be, and the same are hereby declared to be continued to the said Governor and Company, except so far as the same are altered by the Act made in the 7 Geo. IV, c. 46; and all such privileges and restrictions so altered as last aforesaid, shall be and remain in full force until the expiration of Twelve months' notice, to be given after the 1st day of August, which will be in the year 1855, and repayment, etc. (Add words from the present Bill.)

Provided always, That for and notwithstanding any thing contained in the said Acts or either of them, it shall and may be lawful to and for Bodies Politic and Corporate, or persons united in Companies or Copartnership, carrying on the trade or business of Bankers at a distance of Sixty-five miles from London, and not having any house of business or establishment as Bankers in London, or at any place within Sixty-five miles thereof, to draw upon any Agent resident in London, or within Sixty-five miles from London, any Bill of Exchange payable on demand, or for any sum not less than £10.

(B) *The full text of Section III of the Bank Charter Act of 1833 is as follows:*

And whereas the Intention of this Act is, that the Governor and Company of the Bank of England should, during the Period stated in this Act (subject nevertheless to such Redemption as is described in this Act), continue to hold and enjoy all the exclusive Privileges

of Banking given by the said recited Act of the Thirty-ninth and Fortieth Years of the Reign of His Majesty King George the Third aforesaid, as regulated by the said recited Act of the Seventh Year of His late Majesty King George the Fourth, or any prior or subsequent Act or Acts of Parliament, but no other or further exclusive Privilege of Banking:

And whereas Doubts have arisen as to the Construction of the said Acts, and as to the Extent of such exclusive Privilege; and it is expedient that all such Doubts should be removed, be it therefore declared and enacted, That any Body Politic or Corporate, or Society, or Company, or Partnership, although consisting of more than Six Persons, may carry on the Trade or Business of Banking in London, or within Sixty-five Miles thereof, provided that such Body Politic or Corporate, or Society, or Company, or Partnership do not borrow, owe, or take up in England any Sum or Sums of Money on their Bills or Notes payable on Demand, or at any less Time than Six Months from the borrowing thereof, during the Continuance of the Privileges granted by this Act to the said Governor and Company of the Bank of England.

APPENDIX II

The Lords' Protest against the Bank Charter Bill. (Hansard, 3rd series, Vol. XX, Cols. 877-8.)

Against the third reading of this Bill, the following Protest was entered.

DISSENTIENT,

1st. Because no subject who is in possession of a valuable privilege ought to be deprived of it, except by the judgment of a Court of Justice, after a patient hearing of his case, and by an impartial decision upon it, uninfluenced by party or popular feeling. The taking from any one a right or privilege by a declaratory law, supported only by an opinion of the Law Officers of the Crown (which opinion has never been laid before this House), and without the authority of the sanction of the Judges, is an arbitrary and oppressive proceeding, and contrary to the uniform practice of Parliament.

2. Because the clause which it was proposed to substitute for the declaratory clause contained in this Bill would have afforded all the protection to the public which they have ever had, and have prevented the Bank from enjoying any exclusive privilege which it does not at present legally possess. The clause in the Bill takes from the Bank a privilege it has always enjoyed, and which privilege, with a full knowledge of all the circumstances of the case, it was agreed by the promoters of the Bill, and the Governor and Directors to continue to the Bank. The altering of this bargain exposes the proceedings of the Legislature to the imputation of a breach of faith.

3. Because, although the preamble of the declaratory clause itself expressly states, that it is the intention of the Legislature that the Governor and Company of the Bank of England shall continue to hold and enjoy all the exclusive privileges of banking given them by any Act of Parliament, and although by the letter and spirit of all the statutes relating to that Corporation, the exclusive privilege of banking, which includes the receiving of deposits as well as the issuing of bills or notes, is secured to the

Governor and Company, so that no Corporation or Company consisting of more than six partners can carry on a bank of deposit or issue in London, or within sixty-five miles thereof, this clause, under the pretence of removing doubts as to the construction of these Acts, enables Corporations and Companies composed of an unlimited number of partners to open banks of deposit in any part of England. It has been repeatedly judicially declared by the late Lord KENYON, Mr. Justice GROSE, and other eminent Judges, that, if doubts arise as to the true construction of an Act of Parliament, such doubts may be removed by contemporaneous usage. There has been an uniform usage in favour of this exclusive privilege from the passing of the first statute relating to the Bank down to the present time.

4th. Because, by giving a right to open banks of deposit to Corporations and Companies with an unlimited number of partners, a spirit of speculation will be encouraged, which will endanger our commercial interests. If banks possessing the immense capitals which the proposed new banks will possess, succeed, they will destroy the long-established and highly beneficial system of banking now existing in the metropolis. If they fail, their failure will ruin many unwary persons who may become partners, or who may have dealings with them. The great capital which they will hold will enable them to embarrass the Bank of England in the discharge of its most important duties. The banks which this Bill directly sanctions must produce injury to great numbers of individuals, and must endanger the public interest; and on these accounts it was not long since declared by the highest legal authority in this House, with reference to the statute of the 6th of Geo. 1st c. 18, that the establishment of such companies was contrary to the common law.

5th. Because the provision which makes the promissory notes of the Bank of England a legal tender in all cases except when they shall be presented for payment at the Bank, or one of its branches, has a tendency to introduce, without any alleged necessity, and in time of profound peace, the dangerous principle of a compulsory paper currency.

WYNFORD

BEXLEY

CARRINGTON (for the 1st, 2nd, 3rd, and 4th reasons)

ERNEST.

APPENDIX III

In 1875, when the threatened 'invasion' of England and Wales by the Scottish banks roused the resentment of the English banking world, a Select Committee was appointed by the Government 'to consider and report upon the Restrictions imposed and Privileges conferred by Law on Bankers authorised to make and issue Notes in England, Scotland, and Ireland respectively'. Among the witnesses before the Committee was Mr. William Tatham, whose firm were solicitors to the National Bank. He challenged the contention that Scottish and Irish banks could not legally establish themselves as pure banks of deposit in England and, being asked whether he was aware 'that that was not considered to be the law for a great number of years', answered (645) 'I am aware that there was a dispute about it, but I confess that I never entertained much doubt about it myself. Many years ago, in the year 1833, when joint stock banks were first contemplated, there was some such doubt as you express, and the opinions were taken, I think, of Sir James Scarlett, and Sir Edward Sugden, and some one else, and I obtained at that time copies of those opinions, and I have them still'. Thus forty years after the event the opinions of Counsel to the Bank of England were published in an official document (Appendix 2 to the Report of the Select Committee on Banks of Issue, 1875, p. 449 *et seq.*) and are reprinted below. Mr. Alderman Thompson, speaking on behalf of the Bank of England (*v.* above p. 45) must have been fully conversant with the content of these opinions, although they are actually dated some days after the date of the debate itself.

COPIES of OPINIONS of Sir *James Scarlett*, Sir *Edward B. Sugden*, and Mr. *Richards*, on the PRIVILEGE of the BANK of ENGLAND.
August 1833.

OPINION of Sir *James Scarlett*.

YOUR Opinion is requested—

- 1st. Whether, under the existing laws, a Joint Stock Deposit Bank can be established in London, or within 65 miles thereof?
- 2nd. If Joint Stock Banks of Deposit should be formed, and

find it impracticable to prosecute their object without the power of suing in the name of a public officer, could Parliament confer such privilege without a violation of the provision contained in the 39 & 40 Geo. 3, c. 28, s. 15?

OPINION.

IF this question turned exclusively upon the words ‘borrow, owe, or take up money upon their notes or bills, payable on demand, or at a less time than six months,’ I should have thought it very doubtful whether any number of persons, or any joint stock company, were restrained from any other operation of banking than such as appear to fall precisely within those words, and I own that my impression would have been that joint stock and other companies were not restrained from carrying on any business of banking which might have been consistent with refraining from owing money upon their notes or bills at a less date than six months. But upon consideration of the other words with which these words are connected, and of the provisions in the earlier Acts of Parliament relating to the Bank of England, I am obliged to come to a very different conclusion; and upon the best consideration I have been able to give to the subject, it is my opinion that the words above cited were intended to restrain such corporations or societies as did not profess to be banks, from interfering with that part of the business of the Bank of England which consisted of issuing notes payable on demand, or at short dates; in other words, that the establishment of rival banks was understood to be generally prohibited by other provisions, and that these words were introduced as a cumulative protection, and in order to defeat an evasion that had been attempted of one of the exclusive privileges of the Bank.

The statute of 8 & 9 Will. 3, c. 20, s. 18, enacts, ‘That during the continuance of the corporation of the Governor and Company of the Bank of England, no other bank¹ or any other corporation,

¹ I apprehend that the term *Bank* was not, at the time of this statute, applied to what is now an ordinary bankers’ shop; these were called goldsmiths’ shops, and the word *bank* implied a something in the nature of an establishment formed by general subscription or public authority. This is illustrated by the words in the same clause ‘*company or constitution*’ in the nature of a bank. A private banking establishment was therefore not called a *bank*, but if it consisted of a large number of persons, was called a *company or constitution* in the nature of a bank.

society, fellowship, company, or constitution in the nature of a bank, shall be erected, established, permitted, suffered, countenanced, or allowed by Act of Parliament within this kingdom.' This clause is surely inconsistent with a declaration by Act of Parliament that corporations or joint stock companies may lawfully transact any part of the business of a bank.

The statutes which follow this of Will. 3 continue the corporation and the exclusive privileges of the Bank of England from time to time; and it is remarkable that the very next statute which passed upon the subject, viz., 6 Anne, c. 22, s. 9, recites the occasion of first introducing those words upon which the doubt now arises, and which I have cited at the commencement of this Opinion. I think it cannot be supposed, upon looking at this statute of Queen Anne, that it was the intention of the Legislature to diminish any exclusive privilege the Bank then possessed, except so far as by implication, a permission was given to a number of partners, not exceeding six, to owe and take up money upon their notes. On the contrary, the statute recites in the preamble to the clause the former enactment of 8 & 9 Will. 3, which the Legislature appears to have thought a sufficient prohibition of all parts of the business of banking by other corporations or societies than the Bank of England, and then adds the words, 'Nevertheless, since the passing of the said Act, some corporations, by colour of their charters, and other great number of persons, by pretence of deeds or covenants, united together, have presumed to borrow great sums of money, and therewith, contrary to the said Act, to *deal as a bank*, &c., &c. Now for the prevention thereof, be it enacted, that it shall not be lawful for any body, politic or corporate, whatsoever, other than the Bank of England, or for other persons whatsoever, united, or to be united, in covenants or partnership exceeding the number of six persons, to borrow, owe, or take up any sums of money on their bills or notes, payable on demand, or at any less time than six months from the borrowing thereof.' Now upon consideration of these words, here for the first time introduced with reference to the former Act of King William, and to the recitals in the preamble of the clause in the statute of Anne, where these words are introduced, one of two conclusions appears to my judgment inevitable; either the Legislature considered the whole operation and essence of *dealing as a bank* to consist of borrowing and owing money upon notes and bills at short dates, and in that case it meant by these words to prohibit banking altogether by any

corporation or partnership exceeding six, or it considered this traffic in borrowing money as only a *part* of the operation of banking, in which case it must have been the opinion of the Legislature that the Act of King William, which it referred to and recited, had been found sufficient to protect the Bank from all other competition in the business of banking, excepting that described by the words of the further prohibition now introduced. The words in question, therefore, were not, and could not, be intended to limit or diminish the exclusive privileges of the Bank of England, but *more effectually* to protect them, by prohibiting not only all professed rival *banks of deposit*, but all corporations or societies which, under other names, and with other professed objects, had evaded the statute of Will. 3, by undertaking to *deal in that part* of the business of the Bank which consisted of issuing notes or bills for money borrowed.

Now these words, when repeated in subsequent statutes, which in general terms confirm the privileges of the Bank of England, cannot be interpreted in a different sense from that which they bear in the statute from which they were copied, and when they were fully explained by the preamble and the reference to the Act of 8 & 9 Will. 3. I must therefore state it as my opinion, that so far as these words go, when rightly understood, they do by no means justify a conclusion that the Legislature intended to confine the exclusive privilege of the Bank of England to the power of issuing notes or bills at short dates, and to leave open to all other corporations or societies the power of doing any other of the proper business of a bank.

But then comes the statute of the 15 Geo. 2, c. 13, which, after enacting in general terms that the Bank of England shall have the exclusive privilege of banking as a corporation, proceeds in the 15th section to enact as follows:—‘To prevent any doubts that may arise concerning the privilege or power given by former Acts of Parliament to the Governor and Company of the Bank of England, *of exclusive banking*, and also in regard to the erecting any other bank or banks by Parliament, or restraining other persons from banking during the continuance of the said privilege granted to the Governor and Company of the Bank of England as aforesaid, be it enacted that it is the true intent and meaning of this Act that no other bank shall be *erected, established or allowed* by Parliament, and that it shall not be lawful for any body, politic or corporate’ (here the words of the statute of Anne are copied), ‘during the continuance of such said privilege to

the said Governor and Company, who are hereby declared to be and remain a corporation, with the privilege of exclusive banking, as before recited,' &c., &c.

Now this Act, the terms of which are adopted in those which follow it upon the same subject, appears to me, when taken together with and in reference to the former Acts, to confirm the opinion I have formed upon the effect of those former Acts. It professes a design to remove all doubts as to the *exclusive privilege of banking* given to the Bank of England, and as to the restraining other persons from *banking*, it declares that no other bank shall be erected, established, or *allowed* by Parliament. And it finally declares that the Bank of England is to be and remain a corporation, with the privilege of *exclusive banking*. It is manifest that the words *bank* and *banking* are here used in the most universal sense that can be applied to them, embracing as well that part of the business of banking which consists of receiving deposits, as that which consists of issuing notes or bills for money borrowed. How, then, can it be consistent with the direct enactment that this exclusive privilege of banking, as well by the one mode as the other, shall belong to the Bank of England, to declare by a subsequent Act that it was intended to confine the exclusive privilege only to the borrowing money upon notes and bills, and to leave that of accepting deposits open to all the world? It is plain therefore, to my apprehension, that the words copied into this and the subsequent Acts from the statute of 6th Anne, c. 22, cannot be subjected to a new and different interpretation from that which I have suggested as belonging to them in that statute; but, on the contrary, that the accompanying words and clauses in the more modern Acts tend to corroborate the conclusion that the general exclusive power of banking in all its branches was prohibited to all other corporations, or societies, or companies, than the Governor and Company of the Bank of England, and that the better to secure and protect that exclusive privilege in the Bank, all other corporations or societies exceeding six in number, whatever might be their professed objects, should be restrained from owing money upon notes or bills at short dates, and therewith or thereby *dealing* in any respect as banks.

2. It follows from what I have stated as my opinion on the first query, that any facility given by Parliament to any operation of banking by a Joint Stock Company, would be a direct violation of the words and spirit of the statute of 39 & 40 Geo. 3, c. 28, s. 15.

I must add, in concluding, that after what has been stated of the doubts which exist on these points, it becomes me to express more diffidence in the opinion I entertain upon them, than I should otherwise have felt.

J. Scarlett,

15 August 1833

Abinger Hall.

OPINION of Sir *Edward B. Sugden* and Mr. *Richards*.

YOUR Opinion is requested—

1st. Whether, under the existing laws, a Joint Stock Deposit Bank can be established in London or within 65 miles thereof?

2nd. If Joint Stock Banks of Deposit should be formed, and find it impracticable to prosecute their object without the power of suing in the name of a public officer, could Parliament confer such a privilege without a violation of the provision contained in the 39 & 40 Geo. 3, c. 28, s. 15?

OPINION.

WE are of opinion that, under the existing laws, a partnership or company exceeding six persons, cannot carry on a Joint Stock Deposit Bank in London, or within 65 miles thereof. The original provision was, that the Bank of England, and no other bank or any other corporation, &c. in the nature of a bank, should be allowed by Act of Parliament within the kingdom. This was the only provision. It was treated as clear that no bank, properly so called, could be established without the authority of Parliament. As this exclusive privilege was broken in upon by corporations, and great numbers of persons presuming to borrow great sums, and therewith, *contrary to the intent of the Act*, dealing as a bank, the prohibition was enacted against any other corporation than the bank, or any other persons exceeding six in number, borrowing, owing, or taking up any sum of money on their bills or notes, payable at any less time than six months from the borrowing thereof. This was a fence thrown around the former provision, but in no manner weakened its original force. The prohibition is not confined to bankers, but extends to all corporations and companies. These two provisions were repeated in later times. No other bank was to be erected, established, or allowed by Parliament, and the Bank of England was to be and

remain a corporation 'with the privilege of exclusive banking'. This exclusive privilege was so far limited by the 7 Geo. 4, as to allow any corporation erected for the purposes of banking, or any number of persons in partnership, although exceeding six in number, to carry on the business of bankers in England, and to make and issue their bills at any place in England, exceeding 65 miles from London. This exception still left the former prohibitions untouched as regarded bankers within 65 miles of London, and the Act, creating the exception, carefully reserved to the bank all their other rights. The Government now professing only to clear up doubts which exist as to the construction of the Bank Acts, proposes to enact, that any corporation or partnership, although consisting of more than six persons, may carry on the business of banking in London, or within 65 miles thereof, with a repetition of the prohibition against their borrowing any money on their bills payable at any less time than six months. We are clearly of opinion that this would be a direct violation of the rights of the Bank of England. If we contrast the present law with the law as it is proposed (*in order to clear up doubts*) to be declared, it would stand thus:

The present Law.

The Bank of England to be the only bank authorised by Parliament to have the exclusive privilege of banking.

No other corporation, nor any company exceeding six persons, to borrow, &c., any money on bills payable in less than six months.

Unless their establishment is more than 65 miles from London, and that their bills are issued at a greater distance from London than 65 miles.

The Law now proposed.

The Bank of England not to be the only bank allowed by a Parliament.

But Parliament now to declare that any corporation or partnership, although exceeding six persons, may carry on the trade of banking anywhere in England.

With a simple prohibition against their borrowing any money upon their bills payable in less than six months, if they carry on their trade in London, or within 65 miles of it.

This, in our opinion, is entirely to change the law under the colour of clearing up doubts upon it. The exclusive privileges of the Bank of England are not confined to its powers as a bank of issue, but extend as well to its rights as a bank of deposit; and the

policy of our Government has hitherto forbidden the establishment of joint stock banks, even of deposit. If the law were as it is proposed to be declared, the provisions in the various Bank Acts could not have assumed their present shape. At the very outset the right of Parliament to allow the establishment of banks of deposit must have been declared, and more especially, the 7th of Geo. 4 could not have been framed as it stands. It enables the establishment of banks in England consisting of more than six persons, and authorises them to issue bills at any place exceeding 65 miles from London, provided that they have no house of business as bankers in London, or at any place not exceeding 65 miles from London.

The first provision, therefore, as to establishing banks, is general and without restraint, and the power to issue bills at any place exceeding 65 miles from London is also general; but the prohibition limits the last-mentioned power to firms, all of whose establishments are more than 65 miles from London.

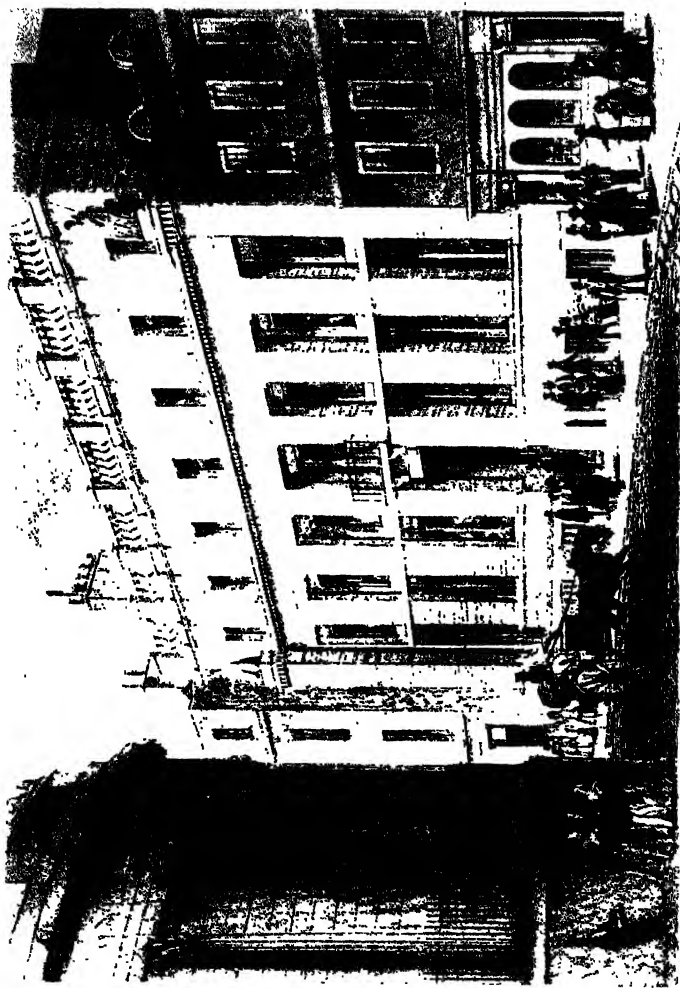
Now, if the new view be the correct one, the power to issue bills payable in less than six months, would have been confined, in the first instance, to those bankers who carried on their business wholly at a distance exceeding 65 miles from London, and there would have been no prohibiting proviso. It is quite clear that neither the framers of the various Bank Acts, nor the Legislature in passing those Acts, took the view of the law which the Government now considers the correct one, and the general opinion of the community has always been against the right now claimed. This is proved in the strongest manner by the acts of the monied men in England, contrary to their wishes and interests. Great weight, surely, is due to an universal practice during a century and a quarter, and contemporaneous usage has always been considered to be entitled to great attention.

If the Bank Acts could have borne the construction now put upon them, is it not probable that some of the vast capital thrown away in late years in bubble companies would have been applied to the object of joint stock deposit banks in London? It may be right to observe that the private trade of bankers, who succeeded to the goldsmiths, is not prohibited by the Bank Acts. Their establishments, as they are conducted, do not constitute a *bank* within the provision of the Acts. But they have in practice been confined to six persons. This does not arise from any express prohibition, but may have been occasioned by the prohibition against more than six persons owing any money on any bill

payable in less than six months, which practically may interfere with the common course of a private banking business, or it may, by an easy analogy, have been considered that an establishment of a company of more than six for any banking purpose, would be a bank struck at by the Acts of Parliament. It is manifest that even a bank of deposit could not be managed without some Parliamentary or Royal sanction. Of course no Royal sanction could be given to any such bank whilst the present Bank Acts remain unrepealed; but the proposed *declaration* would give a Parliamentary sanction to such establishments, and that would obviously lead to other provisions in their favour. The 7th Geo. 4 is a Parliamentary recognition that a bank of more than six could not have been established without the aid of the Legislature, for it starts with an enactment authorising the establishment and carrying on of such banks '*in like manner as co-partnerships of bankers consisting of not more than six persons in number may lawfully do,*' and the Government in the first draft of their Bill so treated the law. Upon the whole, in our opinion, the proposed clause is not a declaration, as it professes to be, of the existing law, but a repeal of that law and a substitution of a new one, and is in plain opposition to the terms of the contract as originally proposed by the Government to the bank.

16 August 1833.

Edwd. B. Sugden.
Griffith Richards.



41 LOTHBURY

The Head Office of the London and Westminster Bank, opened 26th December 1838.

CHAPTER III

THE FOUNDATION OF THE LONDON AND WESTMINSTER BANK

I

IT must not be overlooked that, if the Government of the day was in favour of an extension of the joint stock banking principle, there was a vigorous spirit of hostility alive in professional banking circles, which came very much to the fore in the evidence taken before the Bank Charter Committee of 1832.

This hostility was without question in part inspired by considerations of self-interest, for neither the Bank of England nor the London and the country bankers could view the appearance of new rivals with equanimity. It does not follow that the intensity of feeling was thereby made any the greater or that the case presented against joint stock banking was entirely devoid of objective validity. That the existing state of the law was unsatisfactory can be gathered from one single circumstance: one of the purposes for which the deputation from the Bank of Manchester attended the Committee of 1832 was to give publicity to certain recommendations for an alteration in the existing law which a joint deputation from the Banks of Manchester and Liverpool had already submitted to Viscount Althorp in April 1832, without the adoption of which the Bank of Manchester did not think it advisable to issue notes.¹

Jeremiah Harman, of the Bank of England, had always been 'of opinion that the Country Bankers, in the main, had transacted the business with such advantage to the Public, and such reputation to themselves', that neither

¹ *Report of the Secret Committee on the Bank Charter*, 1832, p. 314. (Question 4197.)

country joint stock banks nor Bank of England branches were necessary. He saw no advantage in increasing the number of bankers: 'I do not see the occasion for them myself, and again I say that it appears to me to be an experiment'.

Samuel Gurney, of the great bill-broking house, did 'not think that the banking business will be so well conducted by Joint Stock Banking as by private Banking; but at the same time there are many valuable institutions established under that denomination . . . It is a system of banking under which loss is more likely to accrue; injury will also arise from trafficking in shares; persons become partners who are incompetent in respect of property, and very many will take shares who are ignorant of the responsibility they incur. There is no doubt that the Public will lose greatly more under this system of banking than they ever have done under private Banks'.

Samuel Jones Loyd was very emphatic in his view: 'I think that Joint Stock Banks are deficient in every thing requisite for the conduct of the banking business, except extended responsibility; the banking business requires peculiarly persons attentive to all its details, constantly, daily and hourly watchful of every transaction, much more than mercantile or trading business. It also requires immediate, prompt decisions upon circumstances when they arise, in many cases a decision that does not admit of delay for consultation; it also requires a discretion to be exercised with reference to the special circumstances of each case. Joint Stock Banks being of course obliged to act through agents and not by a principal, and therefore under the restraint of general rules, cannot be guided by so nice a reference to degrees of difference in the character or responsibility of parties; nor can they undertake to regulate the assistance to be granted to concerns under temporary embarrassment by so accurate a reference to the circumstances, favourable or unfavourable, of each case.' To allow joint stock banks

to be introduced into the London area would be fatal to the race of private bankers: 'It would, I conceive, diminish the number of London private Bankers considerably; and the important question is, whether the diminution would be produced by the destruction of the weaker class of London Bankers, and leaving the more responsible in full action, or whether it would drive out of the field the more responsible, and leave the competition to be carried on by the Joint Stock Banks and the feeble class of private Bankers; I am inclined to think it would produce the latter result, and for this reason, it would of course diminish the satisfaction with which private Bankers carried on their concerns; the increased competition and rivalry would render the business less satisfactory to them; and I think it probable that those who carry on their business from an attachment to old concerns, and feelings of that description, and who, from their circumstances, are independent of the profits of business, would be more likely to give up in consequence of the competition, than those parties who in fact must persist in the business to secure their maintenance.' His gloomy prognostications were to be verified as regards the fate of private bankers—within thirty-two years his firm was to sell out to the London and Westminster Bank!

It is not surprising, further, that George Glyn should have thought that joint stock banks were 'not calculated for London and its trade', or that Henry Burgess, the professional representative of the country bankers, should think that 'there is great fallacy prevailing respecting the advantages and conduct of Joint Stock Banks; I believe they acquire business in a different mode from private Bankers, and in a mode that I should think highly objectionable. I know instances where Joint Stock Banks have tempted old customers from respectable private Bankers, to quit their old connexions and to transact their banking business with the Joint Stock Bank, upon condition of having

transferred to them a number of shares bearing a premium. . . . I think that, for pushing business in this method, and many other ways, the Joint Stock Banks are exceedingly dangerous establishments. It will be obvious to the Committee that a private Banker of high respectability cannot canvass for business, but the Joint Stock Banks have canvassers in all directions; every man that holds a share or a number of shares, or who has a relative or friend holding shares, is a canvasser for customers to those Joint Stock Banks'.

Thomas Tooke, the celebrated historian of prices, was so far in favour of joint stock banks as to prefer them to the 'unlimited competition of a smaller number of individuals'. At the same time, he said, 'If it were not for the greater cumbersomeness of the machinery, which is already as much as any set of Directors are likely to manage correctly, I should prefer Branches of the Bank of England to Joint Stock Companies'. He was, it is true, primarily thinking of the management of the note-issue.

The only well-known banker who took an opposite point of view before the 1832 committee was Vincent Stuckey, who had adopted the joint stock form in 1826; even his ideal did not coincide with the then existing system, for he favoured 'chartered Banks, with a limited responsibility of partners and a paid up capital'. Expert opinion, then, was inclined to be hostile at worst, and critical at best.

II

An unsigned printed paper in the possession of the Westminster Bank, of a date certainly later than 1875 (since it refers to the Select Committee of the House of Commons on Banks of Issue of that year), recites that

Early in 1833, Mr. W. R. Douglas, of the firm of Douglas, Anderson, and Co., Scotch Merchants, resident in London, inquired of his solicitor, the late Mr. Roy, whether it would be possible to

establish a joint-stock bank in London on the Scotch system. Mr. Roy explained to Mr. Douglas that by the Charter of the Bank of England it was illegal for more than six persons to be associated together as bankers within sixty-five miles of the metropolis.

Notwithstanding this apparently insurmountable obstacle, Mr. Douglas with his friends determined to attempt it; a Committee was formed, of which the late Mr. Esdaile was the last survivor.¹

The Committee held its preliminary meetings at Mr. Roy's offices in Winchester Street. Mr. Roy, on carefully perusing the Charter of the Bank of England, ascertained that the only clause which prevented the establishment of a bank with more than six partners within the radius of sixty-five miles of the metropolis had been obtained by the Directors of the Bank of England in 1708, who had thus secured for their proprietors a monopoly for upwards of one hundred and twenty-eight years, only applied to banks of issue, but not to banks of deposit.

When this opinion was promulgated throughout the banking community in the City, it was received with derision. Some laughed, some were very angry, calling the innovators bad names, designating them as the Winchester thieves. Nevertheless the Committee persevered, . . .

and Mr. W. R. Douglas is thus entitled to be regarded as the true founder of the first London joint stock banking establishment.

The earliest recorded minute² of the London and Westminster Bank states that 'at several successive meetings of Noblemen and Gentlemen interested in the establishment of Joint Stock Banks of Deposit' it was agreed that petitions for presentation to the two Houses of Parliament should be prepared by Messrs Blunt, Roy, Blunt, and Duncan—the firm of solicitors to be vitally concerned in the early

¹ Mr. Esdaile, from the time he joined the London and Westminster Bank until his decease, rendered much service by curtailing expenses; he successfully contended that Directors should not consult the Solicitor unless by Board's order each half year; when the Solicitor's account was presented to him for examination, he struck out every charge for an opinion given unless the Board's authority had sanctioned it. [Footnote in original.]

² Prior to 15th August 1833. *London & Westminster Committee Minutes*, 1833-38 (in effect, the Board Minutes), p. 1.

history of the bank. 'Pursuant to such Resolutions', so continues the minute, 'the following Petitions were prepared for signature'.

The petitions¹ are as follows:

To the Honorable the Commons of
Great Britain and Ireland in
Parliament assembled.

The Humble Petition of the
Undersigned Persons, resident
in or near to London

Sheweth

That the monopoly effected by the present charter of the Bank of England in favour of proprietors of Bank Stock—by obstructing the establishment of any Bank of more than six partners within London and sixty five miles around it, has become a subject of serious consideration to the community at large, and more particularly to your Petitioners on the occasion of the proposed renewal of the Bank charter by the Bill now before your Honorable House.

That your Petitioners are deeply impressed with the importance of the subject, and feel themselves called upon to express their decided conviction of the injustice and unfairness of the continuance of the present restriction upon Banking Establishments within London and sixty five miles around it, for the sake of perpetuating a monopoly in favour of a particular Body, or set of men.

That whilst every other Branch of business is free to be conducted by as many partners as may please to associate together, that of Banking is clogged with injurious restrictions for the sole purpose of preventing more than six persons in number from being united in partnership.

That such a restriction upon the Banking business is peculiarly injurious, as, in the association of numerous partners the security and accommodation of the public will be materially promoted

¹ The suspicious *Circular to Bankers* discovered the sinister hand of Joplin at work. In its issue of Friday, 2nd August 1833, it ascribed the publication of the first of these petitions in the *Times* to the efforts of Mr. Joplin 'or some one of that gentleman's coadjutors in the enterprise of raising up a National Bank'. (This was the project which was subsequently to take shape as the National Provincial Bank of England.)

and advanced—the greater Union of Capital and responsibility naturally affording the public the fairest prospect of those advantages and facilities, whether in times of quiet or panic, which in this large commercial and trading community is of the very deepest importance.

That whilst all England beyond sixty five miles from the Capital, and the whole of Scotland and Ireland are free from any such Monopoly, the great injustice and unfairness of placing the important community of London, and its vicinity, under such restrictions, depriving them of privileges enjoyed by their fellow countrymen beyond the limited distance for the sake of perpetuating a monopoly—is self evident, and calls for a prompt and decisive remedy.

That the beneficial results of the system of Banking established in Scotland, and of the relaxation of the restrictions sixty five miles from London, clearly establish the inexpediency and disadvantages of perpetuating the present exclusive system in London, Westminster, and their vicinity.

That the advantage of the system of Banking in Scotland, particularly consisting of the convenience afforded by Banks in the opening of cash credits in favour of their customers, and the liberal and steady accommodation at all times afforded, would be of most material advantage to every class of the trading community, and would materially tend to revive the trade of the Metropolis, now languishing for want of those advantages in the mode and system of Banking enjoyed by the large towns beyond the prescribed circle of sixty five miles.

That your Petitioners, deeply impressed with the necessity of relieving this most important portion of the Empire from disabilities so materially affecting the security and facility of accommodation to be derived from Banking establishments, free from such restrictions, feel themselves called upon to express their strong decided opinion on a subject of such vital importance, with a view to your Honourable House preventing the continuance of an unfair and injurious monopoly pressing solely upon this most important portion of the Empire.

Your Petitioners therefore humbly pray that in the Bill now before your Honourable House such provisions shall be introduced as—without affecting the Monopoly of the Bank of England as the sole Bank of issue within London and sixty five miles round it—if Parliament shall be pleased to continue such

Monopoly—shall repeal and annul every restriction and impediment created by former Acts of Parliament preventing the enjoyment at present by your Petitioners, and the important community within the limit mentioned, of the same rights, and facilities, and advantages in respect to Banking, as are enjoyed by their fellow subjects in all other parts of the United Kingdom.

The other petition was in the terms following:

To the Honourable the Commons
of Great Britain and Ireland
in Parliament assembled—The
Humble Petition of the Under-
signed Persons resident or carry-
ing on business in London and
its Vicinity

Sheweth

That your Petitioners watch with the deepest interest the progress of the Bill now before your Honorable House for renewing the charter of the Bank of England.

That upon the expediency of continuing to the Bank of England the exclusive privilege of being, for twenty years to come, the only Bank of issue within London and sixty five miles around it, your Petitioners leave the wisdom of Parliament to decide; but your Petitioners trust that this privilege will not be further extended; and especially that all restrictions will be removed that have hitherto restrained, within the limit mentioned, more than six persons from becoming partners in Banks of Deposit.

That such restrictions have, to the great advantage of the large towns and communities residing beyond sixty five miles from London, been removed; and it appears highly unjust to your Petitioners, that the most important trading and commercial community in the Kingdom, being that resident in and about London, should be excluded from these advantages.

That to give Banks the facility of increasing the number of their Partners beyond six persons, and by that means the amount of their capital and credit, must necessarily add to the security of Depositors; and afford increased power to Banks of granting, with firmness and spirit and in times of emergency, as well as of quiet, those accommodations to the public which are constantly wanted.

That your Petitioners feel strongly that no good reason can be offered for continuing to the Bank of England any exclusive

privilege beyond that of being the sole Bank of issue, or, except in this respect, for restraining entire freedom of trade in banking; and your Petitioners believe that by examination of the present charter of the Bank of England it will be found to be an erroneous opinion that the Bank of England can prevent more than six persons from associating in Partnership to carry on the business of a Bank not issuing its own Notes.

That the 15th Section of the 39th and 40th Geo. 3rd c. 28 contains, as your Petitioners believe, the whole regulations on this subject; and it simply declares that no other Bank shall be established by Parliament, and that no partnership consisting of more than six persons shall borrow, owe, or take up, any sum or sums of money, on their Bills, or Notes, payable at demand or at any less time than six months from the borrowing thereof.

That these words obviously do not prevent any number of persons associating in Partnership as Bankers to receive monies and pay them away upon the cheques of their customers, and to lend monies at interest and invest them in securities or in discounting Bills, and to transact all other Banking business except that of issuing or accepting, in their Partnership name, or firm, Bills or Notes payable on demand, or at any less period than six months after date.

That to disable a Partnership consisting of more than six persons, as these words do, from accepting a Bill in the Partnership name which is payable within six months after date, is a senseless and absurd restriction and inconvenience upon the immense commercial transactions of the present day, and should be repealed, not only on account of its absurdity and impropriety, but because the restriction is, and must continue to be, constantly infringed by the many Partnerships, not for Banking purposes, which are now constituted of more than six persons in each Partnership.

Your Petitioners therefore humbly pray that the said 15th section of the 39th and 40th Geo. 3rd c. 28, and all sections of a similar import in former Acts be repealed; and that the provisions of the said Bill now before your Honorable House shall not extend the privilege of the Bank of England within London and sixty five miles around it beyond that of being the sole Bank of issue within that limit.

That the above Petitions having been numerously signed, they were entrusted to the undermentioned Members of Parliament, viz:—

WILLIAM CLAY, Esq.
P. M. STEWART, Esq.
JOS. HUME, Esq.
J. POULETT SCROPE, Esq.
WM. BROUGHAM, Esq.
ROBERT GRANT, Esq.
Sir HENRY PARNELL, Bart.
Sir SAML. WHALLEY, Bart.
MR. ALDERMAN WOOD
COL. EVANS
T. GISBORNE, Esq.

It will be noted that the argument set forth in the two petitions is very different. The first petition complains of the impolicy of maintaining the Bank of England's monopoly: the second petition maintains that the legal position already is that the Bank of England cannot prevent more than six persons from associating in partnership to carry on the business of a bank not issuing its own notes. All that the Bank can do is to prevent such a partnership from 'issuing or accepting, in their Partnership name, or firm, Bills or Notes payable on demand, or at any less period than six months after date', and against the limitation of the right of acceptance the petition protests. The restriction is denounced as 'a senseless and absurd restriction and inconvenience upon the immense commercial transactions of the present day', and one which 'is, and must continue to be, constantly infringed by the many Partnerships, not for Banking purposes, which are now constituted of more than six persons in each Partnership'.

An examination of the Treasury In Letters for the period has failed to reveal any direct correspondence between either the solicitors of the syndicate or the syndicate itself

and the Treasury.¹ There can be no doubt, however, that it was the activities of the body of 'Noblemen and Gentlemen interested in the establishment of Joint Stock Banks of Deposit' which encouraged that research into the state of the law by the Law Officers of the Crown which led to Lord Althorp's change of front *vis-à-vis* of the Bank of England and to the incorporation of the 'Declaratory Clause' into the Bank Charter Act of 1833.

III

The first active steps towards forming the bank were taken at a meeting held on Thursday, 15th August 1833. At this meeting it was resolved:

That the above mentioned Noblemen and Gentlemen should form themselves into a Committee, with liberty to add to their number, any three of whom should form a quorum, for the purpose of Making all necessary arrangements for constituting the Bank, Receiving the applications for shares, and allotting them, Forming a Direction, and making a plan for the future management of the Establishment, including the settlement of the Deed of Constitution or Charter.

The Committee met again on the 16th and the 19th of August, by which time a number of important matters had been decided:

(1) The drafting of the Prospectus. There follow the successive stages of this document.

(a) *First Draft of the Prospectus.*

His Majesty's Government having removed the obstructions hitherto impeding the formation of Banks of Deposit with an

¹ Research at the Record Office has, however, resulted in the discovery of an interesting 'Memorial of the Joint Stock Companies in England issuing Notes pursuant to the 7th Geo. IV, cap. 46,' having reference to Lord Althorp's proposed revision of the law relating to banking companies generally, which does not appear to have been previously printed and is therefore appended to this chapter as showing the general attitude of the banking companies of the time. *v.* Appendix I to this chapter, p. 118.

unlimited number of Partners as practically injurious to all classes of the Community, it is universally considered that a Joint [? Stock] Bank of Deposit should be established in London and Westminster, with such extent of Capital as will ensure the perfect confidence and security of Depositors, and the greatest practical accommodation and assistance to trade and commerce.

Many Noblemen, Gentlemen, Merchants, and Tradesmen having considered that every circumstance combines to make it desirable for the public good at once to establish such a Bank—the undermentioned Committee have been formed with power to add to their number on whom will devolve the duty of making the necessary arrangements for constituting the Bank, for receiving the applications for shares and allotting them, for forming the Direction, and for maturing the plan for the future management of the Establishment, including the settlement of the Deed of Constitution.

The success of other Joint Stock Banks of Deposit which have been established, and the admitted profits arising from judicious Banking, afford reason for anticipating much larger success to the present more extended establishment and a very profitable return on the Capital invested, more particularly as many of the proprietors will, from their common interest in the concern, become its customers, and thereby ensure an immediate extensive business.

The utility to the Public of such a Bank beyond providing the first of all advantages—security to Depositors—will consist in its having the ready power, from its subscribed Capital and numerous proprietors, of affording to the trading and mercantile community those accommodations which give facilities to carrying on business, and more especially in periods of panic or distress.

It is also intended as far as may be practicable to allow a graduated scale of interest on deposits, and to give such other facilities and accommodation to the Public in Banking as have been pursued with so much success in Scotland and in the various Joint Stock Banks in England.

It is proposed that the Bank shall be designated ‘The [left blank]

That the Establishment shall be forthwith formed in the City, and that for the accommodation of the Public a Branch Bank will be simultaneously established at the West end of the town.

That the Capital shall be ten millions divided into shares of one hundred pounds each in order that the mercantile and

trading community and the public in general who may become proprietors may by this extensive distribution of shares acquire an interest in the prosperity of the Establishment, and participate in its advantages.

Five pounds per share will be in the first instance payable by those becoming proprietors, according to directions which will hereafter be conveyed to them individually, and any further call that may be required will be made under the sanction of the Directors, and the Deed of Constitution.

A General Meeting of the Proprietors will be held in each year, at which a statement of the affairs of the Bank will be submitted, and thus afford the fullest publicity to its concerns.

The present Committee selected by the Association, with power to add to their number, is composed of: [left blank]

(b) Second Draft of the Prospectus.

His Majesty's Government having removed the obstructions hitherto impeding the formation of Banks of Deposit with an unlimited number of partners, as practically injurious to all classes of the community, it is universally considered that a Joint Stock Bank of Deposit should be established in London and Westminster with such an extent of capital as will insure the perfect confidence and security of Depositors and the greatest practical accommodation and assistance to trade and commerce.

Many Noblemen, Gentlemen, Merchants, and Tradesmen having considered that every circumstance combines to make it desirable for the public good at once to establish such a Bank, the undermentioned Committee have been formed, on whom will devolve the duty of making the necessary arrangements for constituting the Bank, of receiving the applications for shares and allotting them, of forming the direction, and of maturing the plan for the future management of the Establishment, including the settlement of the Deed of Constitution, and the revision and amendment of the conditions of this Prospectus, if necessary.

The success of Joint Stock Banks is not experimental and unascertained, but practically illustrated by such Banks in England, Scotland, and Ireland; and this success, and the admitted profits arising from judicious Banking, afford reason for anticipating equal prosperity to the present more extended establishment, and a profitable return on the capital invested; more particularly as many of the Proprietors will, from their common

interest in the concern, become its best customers, and thereby insure an immediate extensive business.

The advantages of Joint Stock Banks are obvious—their Capital is permanent and cannot be diminished by either deaths or retirements—their numerous Proprietors insure to them confidence and credit, as well as ample business in Deposits, Loans, and Discounts—and their rigid exclusion of every kind of mercantile and speculative transaction affords a satisfactory guarantee to the community at large that their means are only employed in legitimate business—they are under the Management and control of men who are elected by the respective Proprietors, who have no individual interest which can induce them to depart from an approved prudential course—and who are a safe and constant check upon every transaction, and upon every officer in the several Establishments, and their system of accounts is so accurate that there is little trouble in producing, at any time, a clear and full statement of their stock and business, however great the one, or extensive the other.¹

It is intended, as far as may be practicable, to allow a graduated scale of interest on deposits, and to give such other facilities to the public in Banking as have been pursued with so much success in Scotland, and by the various Joint Stock Banks in England and Ireland.

It is proposed that the Bank shall be designated 'The Royal Bank of London & Westminster' and that the Establishment shall be forthwith formed in the City, and, for the accommodation of the Public, a branch Bank will be simultaneously established at the West end of the town.

It will be in the discretion of the Directors under the Deed of Constitution to establish other branches where it may be expedient.

The Capital shall be ten millions, divided into one hundred thousand shares of one hundred pounds each, in order that the mercantile and trading community, and the public in general, who may become Proprietors may, by this extensive distribution of shares, acquire an interest in the prosperity of the Establishment, and participate in its advantages.

Five pounds per share will be in the first instance payable by those becoming Proprietors according to directions which will

¹It will be noted that this paragraph does not appear in the First Draft, and is very slightly changed in the Third Draft.

hereafter be conveyed to them individually, and any further call that may be required, will be made under the sanction of the Directors and the Deed of Constitution.

No subscriber holding a smaller number than thirty shares shall be eligible to be elected a Director.

A general meeting of the Proprietors will be held in each year, at which a statement of the affairs of the Bank will be submitted.

The Deed of Constitution will contain all the usual clauses for the protection of shareholders.

The present Committee, with power to add to their numbers, is composed of:

The Most Hon^{ble} the MARQUESS OF BUTE
The Right Hon^{ble} LORD STUART DE ROTHSAÏ
Sir THOMAS FREMANTLE, Bart., M.P.
P. M. STEWART, Esq., M.P.
SAMUEL ANDERSON, Esq.
GEORGE ARBUTHNOT, Esq.
HENRY BOSANQUET, Esq.
WM. R. KEITH DOUGLAS, Esq.
MATTHEW BOULTON RENNIE, Esq.
PEARSON THOMPSON, Esq.

(c) *Third Draft of the Prospectus.*

His Majesty's Government having declared the law to be that no obstructions exist to impede the formation of Banks of Deposit with an unlimited number of Partners, it is universally considered that a Joint Stock Bank of Deposit should be established in London & Westminster, with such an extent of Capital as will insure the perfect confidence and security of Depositors, and the greatest practical accommodation and assistance to trade and commerce.

Many Noblemen, Gentlemen, Merchants, and tradesmen, considering that every circumstance combines to make it desirable for the Public good at once to establish such a Bank, the undermentioned Committee has been formed, on whom will devolve the duty of making the necessary arrangements for constituting the Bank, of forming the direction, and of maturing the plan for the future management of the establishment, including the settlement of the Deed of Constitution and the revision and alterations of the conditions of this Prospectus, in their discretion.

The success of Joint Stock Banks is not experimental, but ascertained, and practically illustrated by the admitted prosperity of such Banks in England, Scotland, and Ireland. This affords the best reason for anticipating similar success to the present more extended Establishment, proposed to be conducted upon the same approved system of banking.

The advantages of Joint Stock Banks are obvious: 'Their Capital cannot be diminished by either deaths or retirements; their numerous proprietors ensure to them confidence and credit, as well as ample business in deposits, loans, and discounts; and their rigid exclusion of every kind of mercantile and speculative transaction, affords a satisfactory guarantee to the community at large that their means are only employed in legitimate banking operations. They are under the management and control of men who are elected by the respective proprietors, who have no individual interest which can induce them to depart from an approved prudential course, and who are a safe and constant check upon every transaction and upon every officer in the several establishments; and their system of accounts is so accurate that there is little trouble in producing, at any time, a clear and full statement of their stock and business, however great the one, or extensive the other.'

It is intended, as far as may be practicable, to allow a graduated scale of interest on deposits; and while none of the best parts of the system pursued by London Private Bankers will be overlooked, it is proposed to give such other facilities to the public as have been afforded with so much advantage to all classes by Joint Stock Banks in Scotland, and by the various similar Establishments more recently formed in England and Ireland.

It is proposed that the Bank shall be designated 'The London and Westminster Bank' and that the Establishment shall be forthwith formed in the City; and for the accommodation of the Public, a Branch Bank will be simultaneously established at the West End of the town.

It will be in the discretion of the Directors, under the Deed of Constitution, to establish other Branches where it may be deemed expedient.

The Capital shall be £10,000,000 divided into 100,000 shares of £100 each, in order that the Mercantile and trading community, and the public in general who may become Proprietors

may, by this extensive distribution of shares, acquire an interest in the prosperity of the Establishment, and participate in its advantages.

Five pounds per share will be, in the first instance, payable by those becoming Proprietors, to five of the undermentioned Committee as Trustees, according to directions which will hereafter be conveyed to them individually, and any further call that may be required, will be made under the sanction of the Directors and the Deed of Constitution.

No subscriber holding a smaller number than thirty shares shall be eligible to be elected a Director.

A General Meeting of the Proprietors will be held in each year, at which a Statement of the affairs of the Bank will be submitted.

The Deed of Constitution will contain all the usual and necessary clauses.

The present Committee, with power to add to their number, is composed of:

The Most Noble the MARQUESS OF BUTE
 The Right Hon^{ble} LORD STUART DE ROTHSAÏ
 Sir THOMAS FREMANTLE, Bart., M.P.
 PATRICK MAXWELL STEWART, Esq., M.P.
 HENRY THOMAS HOPE, Esq., M.P.
 JOHN STEWART, Esq., M.P.
 SAMUEL ANDERSON, Esq.
 GEORGE ARBUTHNOT, Esq.
 HENRY BOSANQUET, Esq.
 WILLIAM ROBERT KEITH DOUGLAS, Esq.
 HENRY HARVEY, Esq.
 MATTHEW BOULTON RENNIE, Esq.
 PEARSON THOMPSON, Esq.

Applications for shares to be addressed 'to the Secretary to the Committee of the London and Westminster Bank', at its temporary offices, No. 35, Great Winchester Street, Old Broad Street; and No. 11, Waterloo Place, Pall-Mall.

The Committee, in apportioning the shares, will be desirous to distribute them among such classes of the Community as are likely to promote the future interests of the Establishment.

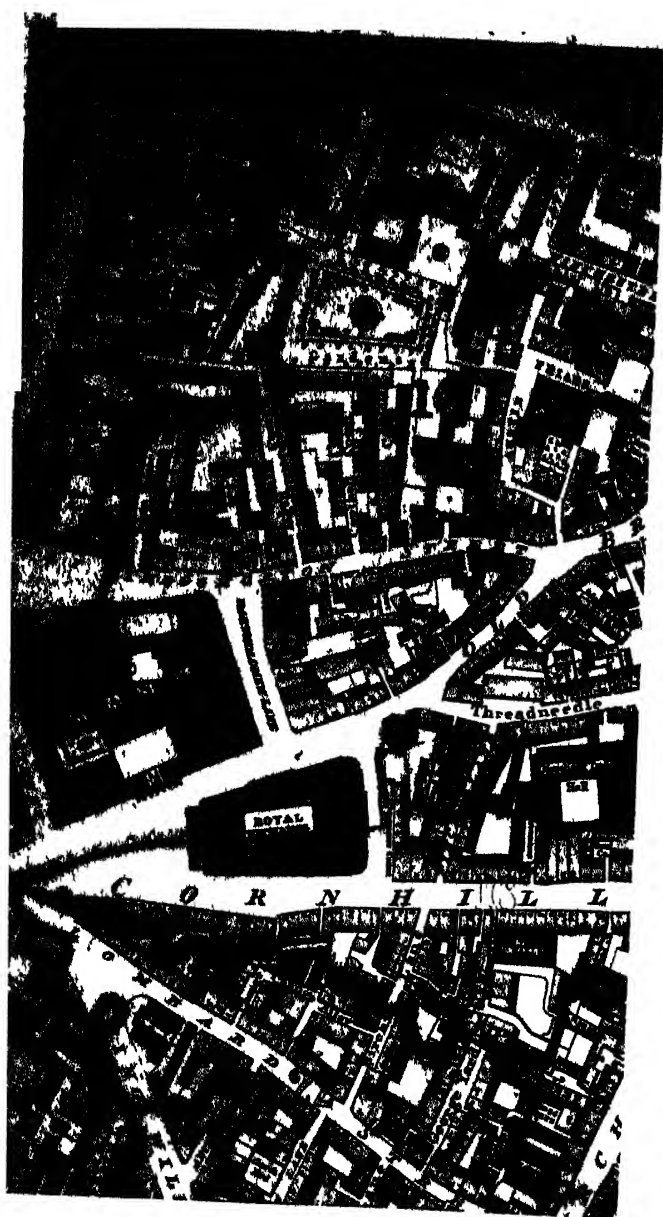
(2) The professional services of Messrs Blunt, Roy, Blunt, and Duncan were to be retained. It was resolved that they be 'authorized to make all payments that may be necessary; and that they be allowed all such payments and other charges, as shall have been, or may be necessarily incurred'.

(3) The selection of two places was to be decided upon, 'one in the City and one in the West end of the Town where applications for shares are to be received'. On 16th August, 'suitable temporary offices at No. 11 Waterloo Place' were rented at sixty pounds for three months, and on the next day 'Mr. Roy reported that suitable chambers for temporary office had been offered at No. 35 Great Winchester Street' and the solicitors were ordered to engage the said chambers for a term of three months. It had already been decided previously 'That the Committee do make enquiries for Banking Houses in the East and West ends of the Town suitable for the purposes of the Bank; and do make enquiries as to procuring fit and proper Managers and chief clerks for the Bank, and do make a written report thereon'.

(4) The title of the bank had been chosen. No name figured in the first draft; in the second the proposed title appeared as 'The Royal Bank of London & Westminster'; only in the third draft did the familiar 'The London and Westminster Bank' appear.

IV

The new venture did not have a 'good Press'. On the 21st August 1833 the Money Market article of the *Times* referred rather disparagingly to the proposed London and Westminster Bank. 'In the list of names given as the conductors of the undertaking are some men of rank and great property; but not such as the city capitalists would be disposed to place confidence in, as possessing the



Section from Wyld's Map of the City of London, 1842.

requisite knowledge for such an undertaking, which can only succeed by the union of great economy with a great talent for business. It is necessary, indeed, to caution the public, who may otherwise be inclined to rush madly into such undertakings, that the profits of banking in London are very low, and must be further reduced by those who would engage in competition with the banking establishments which already exist. For the first few years, we suspect, there will be more public good than private advantage result from such undertakings. They may offer, with good management,—not otherwise,—a fair investment for money, but it would be the extreme of folly to reckon on exorbitant gains from them. People should not confound such a bank with the Bank of England, whose chief profits are derived from the issue of notes and the government business.'

Next day, indeed, the *Times* modified its tone: 'With respect to the London and Westminster Bank, mentioned yesterday, we are assured, what we were not aware of at the time, that several of the members of the committee whose names appear to the prospectus are distinguished by their knowledge of business. In point of property, as we have already remarked, the list is a highly respectable one. It is not to be expected, however, under all the circumstances, that large profits will for some years to come be derived from any such undertakings.'

The *Circular to Bankers* was much more bitter. 'Our opinion is asked', it stated in its issue of 30th August 1833, 'respecting the Joint Stock Banking establishments projected in London. These speculations may answer the object of the first adventurers, who, by a resale of the shares at a premium before the undertakings go into operation, may obtain profit without great risk; beyond this we cannot discover the possibility—we repeat the word advisedly—the possibility of Joint Stock Banking schemes

terminating, with safety, in the advantage of those who embark their money in them. With the present state of the law, and with the apparent difficulty of getting any leading members of the money interest to unite themselves with such projects, we think the plans, as set forth in the published prospectuses, impracticable.'

It returned to the subject in the subsequent week and repeated its opinion that 'Joint-Stock Banks will be raised in London, and some of them may prosper and succeed, but we see no evidences of the probability of such success in the proceedings of those who have first stepped forward to invite the public confidence'.

Early in October it again returned to the attack: 'As far as we can judge from the prospectuses and proceedings before the public, the information of those gentlemen who have associated to establish these new banks is extremely superficial and crude. They appear, by a conspicuous display of the names of men high in station, though altogether inexperienced in banking affairs, and by announcements of immense capitals, to be of opinion that these are the great requisites to the success of their undertaking, which seems to us about as rational as for a vintner to calculate his gains according to the size of the house he is building, and the magnificence of the sign-post bestriding the road. In the present condition of metropolitan traders, and the state of their present credit, in the present value of public securities, and with the contingencies hanging over the landed interest, we can scarcely conceive any thing more full of risk to the possessors than placing a large subscribed capital in inexperienced hands, to be employed in London. . . . None of the men of sagacity and experience in banking and money affairs can be induced to unite with the projectors of Joint-Stock Banks in the metropolis.'

This sustained Press attack was to cause grave anxiety to the Committee engaged in setting up the new establishment,

for it was destined seriously to affect the rate of inflow of money. The Committee was faced with five immediate problems:

- (1) To obtain subscribers and to allot shares.
- (2) To issue the prospectus and arrange for the completion of the deed of settlement.
- (3) To secure an adequate staff and premises.
- (4) To convert itself from a provisional committee into a Board of Directors.
- (5) To determine the principles upon which the business of the new bank was to be conducted.

The manner in which these various issues were handled is discussed in the following sections.

(1) SUBSCRIPTIONS AND ALLOTMENTS

At the end of August 1833 it was resolved to proceed to allotment and to ask for a first call upon the subscribers of five per cent upon the par value of the shares, 'so soon as ten thousand shares have been subscribed'. In the early stages keen interest was shown: as early as 21st August, it was recorded that 'The Committee received, in the course of the day, numerous applications for shares, which they directed should be entered, for future consideration, in a Book, to be kept for that purpose'. Five days later it was recorded that 'The applications for shares at this, and at the Office in Waterloo Place, were more numerous on this, than on any former day—many of the applicants expressed their goodwill towards the establishment, and their desire to promote its future prosperity.' The ten thousand shares which were to form the minimum subscription before allotment were in fact applied for before 4th September, on which day 'It was reported to the meeting that the amount of shares applied for now exceeds ten thousand shares. . . . Resolved that the Committee defer fixing

any period for an allotment of shares, until after next meeting'.

Prospects seemed so flourishing that it was decided a week later to advertise that applications would continue to be received up to 5th October 'and that the shares will then be allotted and directions be given to the subscribers for paying their first deposit of five per cent'. On 18th September, the amount applied for was 11,378 shares: a week later, the amount, 'after all deductions', was 11,070, 'the Gloucestershire Banking Co. declining, for the present, to accept the shares reserved for them'. By 9th October it was reported that the total number of shares applied for, to the present date, amounted to 15,325, 'but that one of the country Banks having for the present withdrawn their subscription of 1,000 shares, and there being other trifling deductions, the total remaining subscriptions amounts to nearly fourteen thousand shares of £100 each'.

It was now imperative to proceed to allotment, and here two quite different sets of difficulties arose. It was necessary, first, to satisfy the Committee as to the standing of some of the applicants. On 9th October, certain applications having been set aside as coming from persons 'regarding whose character and intentions it would be prudent to make enquiry before allotting shares to them', a sub-committee was appointed. Two days after, the acting Secretary reported 'that he had caused particular enquiry to be made regarding many of the persons to whom shares had not been allotted, and many of them appearing to be respectable, he was directed to allot shares to them according to their application, and to prepare a further list and make further enquiry in regard to the admissibility of the remaining applicants'.

Whilst it was relatively easy to get subscribers, it proved a good deal more difficult to collect the first call of £5 per share. As late as 6th November 1833 it was recorded that 'the number of shares upon which deposits

have been paid here and at Manchester amounts to 5,054 shares—that in London and its immediate vicinity subscribers to the extent of 4,035 shares have not yet paid their deposit, and that about 4,000 shares remain unpaid in various parts of the Kingdom'. The amount due on the 15,325 shares was roughly £75,000, but on 26th November the Secretary reported 'that since last Meeting £3,505 had been received—being the deposit upon 701 shares; and that the small amount of the payments obtained from subscribers in and about London lately could only be attributed to misrepresentations out of doors—as to the progress of the Establishment—so few Gentlemen connected with the City being yet known to the public as members of the provisional Committee; and that many respectable subscribers waited to see the Direction in a more complete state of advancement, and likewise the conditions of the proposed Decd of Settlement before lodging their Deposits'.

Nevertheless money did come in, and the question of temporary investment of the funds had to be dealt with. The original intention was to invest the subscription money in 'Exchequer Bills' in the name of five members of the Committee. At the beginning of November 1833, 'After some conversation with Mr. Moxon, it was agreed to authorize the Trustees to lend upon Stock £10,000 . . . at the best interest that can be obtained for it.' Three days afterwards 'it appearing to be inexpedient and unprofitable to invest money for a short period in Exchequer Bills', and the original purport of the resolution being to authorize investment to be made in Exchequer Bills 'or other Government or public securities', it was decided 'That it is advantageous to lend a part of the Deposits on Consols; and that the Trustees are authorized to lend ten thousand pounds in that manner accordingly'.

(2) THE PROSPECTUS AND THE
DEED OF SETTLEMENT

By the end of August 1833 the Prospectus had almost assumed its final form. Although some alterations and additions were still to take place, these were of minor importance.¹ But during the anxious period which followed the first advertisement of the Prospectus, when the London Press was showing itself hostile or sceptical, it became necessary for the bank to issue a further document, bearing upon the unlimited liability of the shareholders, a point which had been taken up and used with great effect by the *Circular to Bankers*.

On 4th September the minutes record that 'the paper drawn up by Messrs Blunt, Roy, Blunt, and Duncan, read to this Committee, regarding the liability of shareholders, etc., be printed and circulated with the Prospectus'. No record of this 'paper' remains in the minute book of the London and Westminster Bank, but there can be little or no question that the following statement, printed in the 13th September issue of the *Circular to Bankers*,² and ascribed by that journal to 'some legal men of great sagacity and knowledge connected with the new London and Westminster Bank', must be the document in question:

The following explanation is given to the public as a general answer to the inquiries which are made respecting the extent and duration of the responsibility to which each individual Proprietor of shares in a JOINT-STOCK BANK is liable.

This responsibility is two-fold:

One having for its object—security to the public for the engagements of the Bank;

The other having regard to the interests of the Proprietors among themselves, as members of the same partnership.

¹ Thus on 2nd September, it was resolved that 'the clause of the Bank Charter Bill, explaining and declaring it legal to establish Joint Stock Banks, should be added to the Prospectus'.

² p. 65 *et seq.*

The former is defined and regulated as to such partnerships as carry on business under the Acts of Parliament passed in 1825, for Ireland, and for England beyond sixty-five miles from London, by the provisions of those particular Acts, and as to such partnerships as do not carry on business under the provisions of those particular Acts, the extent and duration of the responsibility is regulated by the common law of the land.

The responsibility and the interests of the Proprietors, as amongst themselves, are regulated by each particular deed of settlement constituting a company.

For the purpose of giving to the public unquestionable assurance and security, these Acts of Parliament provide that all the Proprietors shall be liable, jointly and severally, for the engagements of the Bank. The common law is similar.

A Bank carrying on business under the provisions of the Acts can only be sued on its contracts through its public officers.

A Bank carrying on business without these Acts can only be sued on its contracts in the name or names of the particular trustee or trustees of the Bank, with whom all contracts will be made. No proceeding can thus be originally instituted against any Proprietor; but all proceedings must be instituted against one of the public officers, in the one case, or against the trustee or trustees in the other case mentioned.

If the public officer be sued, and a judgment obtained against him, or if a trustee or trustees be sued, and a judgment obtained against him or them, they are obviously the persons to whom recourse should be had; and the Acts provide in the one case, and the Deed of Settlement in the other case, that the whole property of the Bank shall be liable for the judgments obtained against such officer or such trustee or trustees respectively. The Directors therefore never will suffer execution to be sued out against the public officer or against the trustee or trustees, but must hold them indemnified; and by the Deed of Settlement either public officer or trustee can compel a sufficient sum as an indemnity fund, to be set apart for settling and satisfying any judgment at law which may be sought to be obtained against either.

The natural consequence is that, unless the funds of the Bank should be exhausted, no individual Proprietor would ever be called upon.

If a creditor should, after obtaining a judgment, instead of having recourse to the public officer, sue out execution (as these

Acts of Parliament allow) against any individual Proprietor, such Proprietor would have redress against the funds of the Bank, which he could obtain by means of the public officer, and have the same remedies that were possessed by the person who originally instituted the proceedings.

Where the partnership is carrying on business without the provisions of the Acts of Parliament, a creditor could not have a writ of execution against an individual Proprietor until he had commenced and brought to termination an action against such individual Proprietor, which action would, under the Deed of Constitution, be protected by the Directors and the capital and funds of the Company, immediately upon notice being given to the Directors of the action being commenced.

The remarks just made apply to persons who may be Proprietors at the time an execution is sued out.

With regard to those who have ceased to be Proprietors before execution is sued out, the only case in which such persons under the Acts of Parliament can be liable is, where execution against any actual Proprietor at the time has been ineffectual to procure payment.

In that case, recourse may be had against persons who were Proprietors at the time the contract was entered into, in respect of which the judgment may have been obtained. But it is provided by the Acts that in such a case execution shall not be sued out except by leave of the Court in which the judgment shall have been obtained, granted on motion in open Court, of which motion notice shall be given to the party sought to be charged; nor shall execution under any circumstances whatever be sued out against any person after the expiration of three years from the time when he shall have ceased to be a Proprietor. No person, therefore, who has ceased to be a Proprietor can ever be taken by surprise by an execution; and, as before stated, in a Company not acting upon the provisions of the Acts of Parliament, no Proprietor can ever be taken by surprise by an execution, because an action must be first commenced against him, and he could not be sued on the contracts made with a trustee or trustees after he had ceased to be a Proprietor.

With regard to the latter description of liability mentioned in the outset, viz. that of the Proprietors as among themselves—by the usual provisions of the Deeds of Settlement of each Company, each Proprietor is rendered liable in proportion to the extent of his shares only, and he is wholly exempt from liability from the

moment a transfer of his shares shall have been completed. For this purpose, the Proprietors covenant to indemnify each other against all liabilities, except in proportion to the shares held by each: and, also, that each Proprietor shall be wholly exempt from the time he ceases to be a Proprietor

A Proprietor, therefore, from the time of the sale of his shares ceases to be liable for all future engagements of the society, and he is liable for a limited time only for engagements contracted while he was a Proprietor, against which liability he has the guarantee not only of the whole funds of the society, but also the private estates of all the remaining Proprietors. By the provisions of the Deed of Settlement, this liability is reduced in extent to a liability proportioned to the number of shares, and in duration to the period of his continuing a Proprietor.

On the whole, when it is considered that each Bank has a large subscribed capital, of which a great portion must necessarily be, and always is, in due time, and by proper degrees as business increases, paid up—that the number of Proprietors amounts to several hundreds—that a great proportion of these are persons of wealth and consequence—the real practical effect of the act of Parliament, or of the common law, and the deed taken together is, that the individual responsibility of each Proprietor is, as before mentioned, strictly limited in *extent* to his number of shares, and in *duration* to the period of his continuing a partner.

Joint-Stock Banks in Scotland, some acting with, and some for many years without the provisions of acts of Parliament for regulating their interests and those of the Proprietors, have now long existed, and such Banks in England and Ireland have also now for some time past been established, and their Proprietors have not suffered inconveniences, distress, loss, or impediments, from their situations having been such as have been described as the situation of shareholders generally.

Here is to be witnessed the practical effect of all the workings of these regulations and provisions. To this a man will naturally give his confidence, and be by this guided.

The Banks mentioned have been placed under good and careful management, which management is responsible to and under the eye of the Proprietors generally, who have the power of dissolving the Company, if it should be carrying on business at a loss.

All the best regulations adopted by these Banks—all the most useful practical clauses in their deeds of settlement—the same

powers of dissolving the Company—of watching its affairs—of auditing its accounts by Auditors appointed by the proprietors themselves—all these provisions every new Bank desirous of obtaining public confidence and success will necessarily adopt.

This document was intended merely to calm the fears of prospective investors. It cannot compete in importance with the Deed of Settlement, the preparation of which was necessarily a matter for Counsel and the solicitors of the bank, a circumstance which perhaps explains the paucity of reference to the Deed in the minutes of the London and Westminster Bank. For many years, of course, the Deed of Settlement continued to be the only legal document by which the affairs of the bank were conducted,¹—apart, that is, from resolutions of the Board of Directors which were themselves necessarily subject to the general principles laid down in the Deed. That document is itself too long to quote *in extenso*: there follows the ‘Summary of the Deed of Settlement’, printed by the Directors ‘for distribution among the Shareholders’ and partly reprinted in the first history of the bank, written by J. W. Gilbert himself:—²

A SUMMARY OF THE DEED OF SETTLEMENT

THE Directors printed a Summary of the Deed of Settlement, for distribution among the Shareholders. The following are Extracts from this Summary:—

The Subscribers are parties of the first part.

The two Trustees of the Covenants, James William Gilbert and Henry Cundell, are the parties of the second part.

The recital of Agreement to form the Banking Company.

And reciting that it had been deemed expedient not to commence business till 10,000 Shares had been subscribed for, and the instalments paid thereon, and that this number and upwards

¹ The London and Westminster Bank’s Certificate of Incorporation under the Companies Act, 1862, is dated 19 November 1873.

² *A Record of the Proceedings of the London and Westminster Bank during the first Thirteen Years of its Existence*, p. 19 *et seq.*

being now subscribed for and paid upon, business should forthwith commence, and that remaining Shares should be allotted to eligible subscribers in the judgment of the Directors.

Recital that parties of the first part had paid £5 on each of their Shares.

The Indenture witnesseth,

The Shareholders covenant with said Trustees as follows:—

1. That the present and future Proprietors shall be a Company for Banking, under the style of the London and Westminster Bank.

2. The Capital to be 5,000,000*l.* to be subscribed from time to time, and to be divided into 50,000 Shares of 100*l.* each, and the Shareholders to be liable as amongst themselves, each to the extent of their Share in the Capital, or the unpaid residue thereof and to no more, and the allotment of any of said Shares, and of any additional Shares to future Subscribers, to be vested in Directors.

3. The business of the Company shall be carried on in London and Westminster, and in such other places as the Directors shall think fit.

4. No benefit of survivorship amongst the Shareholders, and the Property of the Company to be deemed personal estate, and the Proprietors to be interested in profits and liable to loss, in proportion to their respective Shares.

5. Nature of the business of the Company to be that of Banking exclusively.

6. The entire management of all the affairs and property of the Company to be in the Board of Directors for the time being; and that the several persons named, and those whom they may choose, to the amount of twenty-four in all, shall be the first Board of Directors.

7. Power in Board of Directors, or the majority of them, to establish Branch Banks, and suppress the same.

8. That, subject to the control of the General Board, the business of the Branch Banks to be under the management of Managers, or Agents, aided or not by local Directors, as the Board may think fit.

9. Directors to choose three or more Trustees from their own body, or otherwise, in whose names contracts, &c. to be made, who may sue and be sued on behalf of the Company, and who are to be under the control of the Directors.

17. The appointment and removal of Officers of the Company vested in the Directors.

18. Only persons authorized by Directors may sign bills or notes or other negotiable securities.

19. All proper books to be kept by the Directors, and a Balance-sheet to be made out to 31st of December of every year.

20. Once in every three months at least a Special Committee, consisting of not less than three Directors, to examine into the state of the property and affairs of the Bank, and to report thereon in writing, to the Board.

21. The Board of Directors to have the control of the property of the Bank, with a power of entering into, varying, and discharging and enforcing contracts.

24. A Member indebted to the Company to pay his debt upon demand, without requiring or seeking the accounts of the partnership to be taken, and in case of default his debt may be recovered as liquidated damages under this Deed.

25. In all actions or suits in equity or law by the Company against any of its Proprietors, and *vice versa*, the partnership to form no bar to the action proceeding, and this clause may be read on the trial as an admission to that effect, if required.

29. No Director to vote in motion for advances, &c. to any person standing in relation to him of partner, father, brother, &c.

32. Power in the Directors to make calls to the extent of 95*l.* per Share, three months' previous notice being given of each call, and to direct proceedings to be taken for recovering calls not paid, or to declare forfeiture of Shares, as after mentioned.

33. The Directors may declare Shares on which the calls are not paid up forfeited.

39. Qualification of a Director Fifty Shares, and after March 1836 the same must have been held twelve months previous to election.

40. Bankers Agents to, or Directors in, any other Banks, Bill-Brokers, &c. not eligible to be Directors.

41. Directors becoming insolvent, or ceasing to hold a sufficient number of Shares, becoming Bankers, &c. to be disqualified.

42. Any one Director may be removed by the concurrence of three-fourths of the other Directors, but the removal to be confirmed by the same majority at a second Meeting.

43. Directors may resign on giving notice in writing.

44. The Board to meet weekly, and at such other times as may be appointed.

45. At Meetings of Directors, each Director to have one Vote, and the Chairman an extra Vote, in case of equality.

46. The Directors, Officers, Clerks, &c. to sign a Declaration of secrecy on the subject of the transactions of the Company with their customers, and the state of their accounts with individuals.

47. Board of Directors to remain in office until the first Wednesday in March 1836.

48. Temporary vacancy in the Board of Directors to be filled up by the Directors till the next Annual General Meeting.

49. Three Directors to retire annually in rotation;—the order in which Directors are to vacate their office to be decided by lot, and afterwards by the rotation so established.

50. Appointment of Directors to supply the three vacancies to be by the General Meeting. The retiring Directors eligible to be re-elected.

51. Notice to be given at the Company's Office, six weeks before the General Meeting for election of Directors, of any new candidate for the Direction.

52. Every person chosen a Director, to testify acceptance of office, and on neglect or refusal, Director to be chosen by other Directors.

53. Remuneration to the Directors to be fixed by the General Annual Meeting.

54. Two-thirds in number and value of Proprietors may remove all or any of the Directors and appoint new Directors.

55. Six Honorary Directors may be appointed from amongst Shareholders holding 100 Shares or upwards each, who may attend Board Meetings and advise, but not vote.

56. Honorary Directors to remain in office one year.

57. A General Meeting of Proprietors to be held annually on the first Wednesday of March in each year.

58. At the yearly Meeting, the Directors to produce a Balance-sheet and a Report of the general state and progress of the affairs of the Company.

59. Directors may call Special General Meetings.

60. Thirty or more Shareholders having 5,000 Shares may call Special General Meetings, if Directors refuse to do so.

61. Special power of General Meetings of Proprietors to decrease or increase the Capital, to increase or diminish the

number of Directors, &c., and to make any new laws or alter the Clauses of this Deed, but so as not to affect the provisions after contained for dissolving the Company in case of eventual loss of Capital.

62. And any Resolution passed at such General Meeting for decreasing or increasing the Capital, or abrogating, enlarging, or altering any of the Clauses of the Deed, must be confirmed by another General Meeting, to be held within two calendar months.

63. Questions at a General Meeting to be decided by a show of hands; but Members holding 500 Shares may demand a ballot, at which ten Shares shall have one vote, fifty Shares two votes, one hundred Shares three votes, two hundred Shares and upwards, four votes; and no Shareholder to be entitled to vote in respect of any Shares he has not held for six months previously.

64. The first named of two or more joint holders to be deemed in every respect the Proprietor for the purpose of voting, acting, &c.

70. Interest at 2l. per cent. to be paid to the Shareholders out of the first divisible profits upon the instalments paid up previous to 31st December, 1834, to be computed from the date of payment to the 31st of December, 1834.

71. The first year's profits, if Directors think fit, and such proportion as they may think requisite of the net profits in subsequent years, to form a reserved fund for the purpose of meeting losses and other contingencies, and of preventing fluctuations in the dividends.

72. Directors to determine upon dividends before General Meetings, and then declare the same.

81. Shares to be primarily subject to debts due to the Company by the holders.

96. Power to the Company to issue notes, payable on demand, within his Majesty's dominions, if, and when, and wherever, the law permits.

97. The Directors may apply for a Charter or Act of Parliament.

98. Directors to appoint Public Officers pursuant to any Act of Parliament that may be obtained for suing or being sued.

101. Power of dissolution vested in two-thirds in number and value of the whole Proprietors, and who shall be assembled at two successive General Meetings convened for that purpose.

102. If the losses of the Company shall have exhausted the surplus fund, and one-third of the paid-up capital, any one of the Proprietors may insist on the dissolution of the Company,

and the Company shall be then dissolved unless for the purpose of winding up the affairs.

103. If the Company be dissolved, the Directors to wind up the affairs.

These details of the Deed of Settlement are largely self-explanatory. It proved necessary, however, to amend the Deed within a relatively short period of time. At two meetings of the shareholders on the 11th June and 8th July 1839, it was agreed: (a) to permit the declaration of half-yearly dividends; (b) to repeal that section of the Deed which made it impossible for a shareholder to become a director unless he had held fifty shares 'for twelve calendar months consecutively, previous to the day of his election as Director'.

Much more important was the declaration that 'the purport and effect of the 40th and 41st Clauses of the said Deed of Settlement should be, and they were thereby to such extent altered, that thereafter any Banker who should not carry on the business of Banking in London, and any Director of any Banking Company not carrying on business in London similar to the business of the London and Westminster Bank, should be eligible to be appointed, or having been appointed, should and might continue and be a Director in the London and Westminster Bank'.¹

(3) STAFF AND PREMISES

(a) Staff

Towards the end of August 1833, applications for future posts became numerous enough to force the Committee to deal with them in a more systematic way. On 22nd August it was resolved that 'Letters having been received at both offices from persons desirous of being appointed to situations in the Bank—the Committee directed that these and future applications should be reserved for consideration, and that the persons should in the

¹ *A Record of the Proceedings, etc.*, p. 24.

meantime be informed, by letter, that their name had been put upon the list of applicants'.

The first task was evidently to find someone capable of managing the bank as a whole, and on 27th August it was resolved that 'The Committee be authorized to make enquiries for some proper person or persons, as a manager or managers, and also to enquire for suitable cashiers and other officers for carrying on the business of the Bank. . . .'

The first name taken into consideration for the post of manager was Mr. Edwards of the Liverpool and Manchester District Bank. On 11th September it was decided that 'should Mr. Edwards . . . accept of the situation of manager, his name should be inserted in the advertisement' which it was proposed should be issued on the 16th of that month. A week later the solicitors reported that Mr. Edwards had declined the offer of the situation, 'but that a correspondence had been opened with Mr. Gilbart and also with Mr. Robertson and Mr. Reid on that subject'. This is the first mention of Gilbart's name in the minutes of the bank.

James William Gilbart was at this time thirty-nine years of age. He had received his early banking education in London, in the firm of Everett, Walker & Co.¹ He had

¹ Cf. J. W. Gilbart's evidence before the *Secret Committee on Joint Stock Banks*, 17th March 1837. On the early history of the firm of Everett, Walker & Co. v. F. G. Hilton Price, *A Handbook of London Bankers*, edn. 1876, s.v. Everett & Co., p. 54. For the circumstances under which this House failed in 1825, v. Daniel Hardcastle, *Banks and Bankers*, 2nd edn. 1843, p. 427: 'The circumstances under which this Bank stopped payment were considered peculiarly hard. The Messrs Walker were rich: they were holders at the time of a large sum in the funds, and possessed a good estate in Yorkshire. To sell their stock in the midst of the panic would have involved a loss of twelve per cent., such being the computed difference between the price of the day, and the price at which they had bought in. The partners applied to the Bank of England for an advance of £300,000 upon a warrant of attorney for the sale of their stock, and a deposit of the title deeds of Mr. Walker's Yorkshire estates. The application was refused: the firm suspended business, but paid all demands in three months.'

then become manager of the Provincial Bank of Ireland's branches at Kilkenny and Waterford, and was already becoming known to a wider circle as an author upon banking subjects. The Committee of the new bank were evidently very anxious to secure his services. On 25th September, at the regular weekly meeting of the Committee, it was decided that 'it might be now intimated to Mr. Gilbert, that, in the event of his agreeing to engage with them, the salary would probably be £600 per annum, a free house etc.—his reply to be taken into future consideration. . . .' A week later a special subcommittee was appointed 'to meet and confer with Mr. Gilbert on Tuesday first at 12 o'clock, regarding the terms on which he may be willing to give his services to this Establishment'. On 9th October it was reported that, 'Mr. Gilbert having attended the meeting, it was remitted to the subcommittee above-mentioned, to receive further communications, and to come to an agreement with him if they deemed it expedient to do so'. The subcommittee met two days later, when Gilbert formally accepted — 'Mr. James William Gilbert attended the meeting, and agreed to give his services to this Establishment on the terms agreed upon by authority of the Trustees with Messrs Blunt & Co.' The first circular to be signed by him was, in fact, signed by him upon this very day.¹

It now only remained for Gilbert formally to take charge. On 3rd November, a letter from Mr. Gilbert was read [it dealt with the practical conduct of the bank, staff arrangements, etc.]. 'The Secretary was directed to acknowledge receipt of Mr. Gilbert's letters, and to urge his arrival in London at the earliest period in his power.' Finally, on 28th November, 'a letter was read from Mr. Gilbert dated Waterford the 24th instant, stating that he had delivered up his charge of the Waterford Branch of the Provincial Bank of Ireland, and was

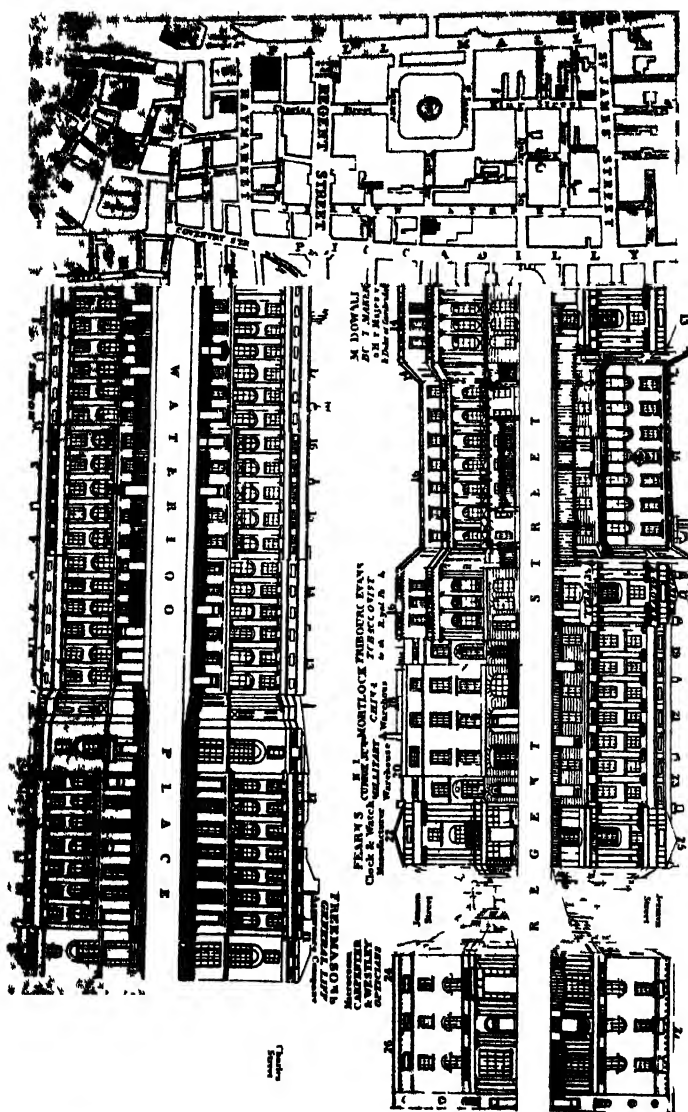
¹ Minutes, p. 41.

immediately to proceed by way of Dublin, Liverpool, and Manchester to London'. Evidently the question of country agencies had already been discussed,¹ for the acting Secretary was 'directed to reply to this letter in general terms, requesting Mr. Gilbert, in his intercourse with the Managers of Banks in Manchester and Birmingham, to confine himself to obtaining information, without pledging this establishment to any particular description of agency business, or precise course of dealing'. Gilbert evidently arrived in London before 5th December, for he is recorded as being present at the Committee Meeting of that date.

Whilst the negotiations with Mr. Gilbert had been going on, the Chief Accountant's post had also been filled: on 25th September, subject to satisfactory testimonials and the offer of adequate security, it was proposed to intimate to Mr. Robertson 'that the Committee would probably engage his services'.

As the time for the formal opening of the bank drew nearer the question of staff appointments became more urgent. On 23rd January 1834 the Directors appointed a subcommittee 'to enquire into the merits of the different candidates for office in this Establishment and to report thereon to the Board'. The Subcommittee in question reported upon 3rd March 1834. The total number of officials recommended for the 'London' office, i.e., Head Office department and City Office, together, was twelve—the aggregate salaries (including that of the Manager and of one messenger) amounted to £2,230 per annum, and £18,000 in sureties was to be provided. The total establishment of the Westminster branch was fixed at seven, including the Manager and a messenger: salaries amounted to £1,130 and the sureties to £10,000. The surety fixed for the Manager of the Westminster branch, it is interesting to notice, was the same as that fixed for J. W. Gilbert himself, viz.: £5,000.

¹ *v. below, s.v. Methods of Business, p. 107.*



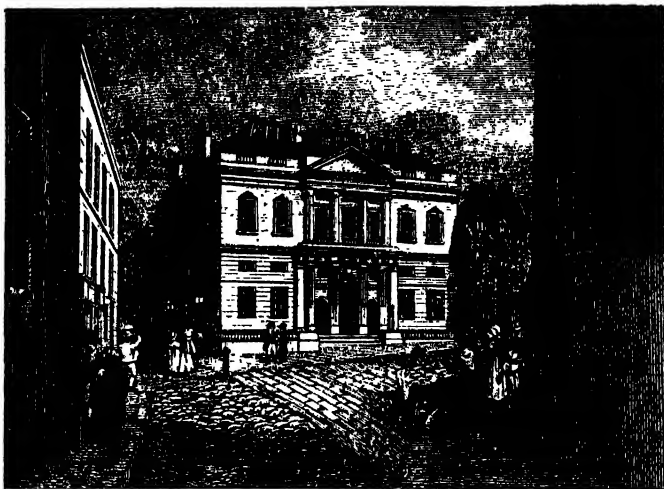
TALLIS'S STREET VIEW OF LOWER REGENT STREET
c. 1838

By the end of August 1833 the London and Westminster Bank had taken temporary offices at 11 Waterloo Place, to which (as also to 35 Great Winchester Street) applications for shares might be addressed. On 10th March 1834, simultaneously with the opening of the Head Office, the Bank opened for business at 9 Waterloo Place, which remained the West End Branch until the new premises at 1 St. James's Street were occupied at the end of 1844.

The list of firms from which applicants for posts were drawn is interesting—it included the Provincial Bank of Ireland, Messrs Williams Deacon & Co., Messrs Everett Walker & Co., Messrs Fry's and Chapman, Messrs Duckett, Morland & Co., Messrs Grote & Co.—and among those who had not previously been in the banking profession one gentleman 'who has been in the Bookselling trade', one 'who has for the last two years been actively engaged in the office of his Brother, who is a professional Accountant in Paternoster row', one whose main qualification appeared to be that he was 'the son of a deceased clergyman in the County of Berks', as well as a young man 'very respectably connected, who has not been in an office since he left College'.

(b) Premises

By the end of August 1833 the bank had been installed at temporary offices at No. 35 Great Winchester Street and No. 11 Waterloo Place, and the Committee was searching for suitable permanent offices in the City and the West End. By the end of the year it was decided to acquire No. 9 Waterloo Place, as a permanent office. On 6th November 'Mr. Bosanquet and Mr. Rennie reported that they had viewed the premises No. 9 Waterloo Place in company with Mr. Jearrad; and they had ascertained that such arrangements could be made . . . to adapt them to the purposes of a Bank', and it was thereupon resolved 'That the said house should be purchased on the terms mentioned . . . and that [the solicitors] be instructed to make the Contract and investigate the title . . .' On 17th December 1833 the solicitors duly reported 'that they had made the purchase of the premises in Waterloo Place, and investigated the title, and that the transfer is now ready to be executed by the seller, upon his receiving payment of the price'. Much discussion was still to take



LOTHBURY, BARTHOLOMEW LANE, AND
THROGMORTON STREET, 1817

Immediately opposite the left-hand corner of the central building (The Auction Mart) was the entrance to 38 Throgmorton Street. The buildings on the left of the picture are the warehouses that were soon to be replaced by the bank's new Head Office, and No. 39 Lothbury. In the building which succeeded the Auction Mart, Parrs Bank had their Head Office from 1892 to 1931.

place upon the necessary alterations; meanwhile the search for a City office continued. Finally on 6th February 1834,¹

after some conversation regarding premises in the City suitable for the business of the Bank, and having called before the Board Mr. Allason the Surveyor, and heard his opinion on the subject; and several Directors having viewed the premises. It was . . .

Resolved:

That Mr. Allason the Surveyor, assisted by Mr. Roy, be authorized to treat for and to take the premises in Throgmorton Street, in the rear of the Argus Fire and Life Office, upon such terms as he may be enabled to make, so that the rent be not more than £200 per annum for the unoccupied term of the Lease:—But to treat for 3 or 7 years, in the first instance if possible; and to make certain enquiries and arrangements with the Argus Office regarding the right of way, before any bargain is finally concluded.

¹Board Minutes, p. 113.

These premises were No. 38 Throgmorton Street, standing back from the street front and approached by a covered passage which was flanked on its west by No. 39 (the Argus Office) and on the other side by the British and Foreign Coffee House and Tavern. No. 38 also had an opening into Bank Chambers, a right-angled court connecting Throgmorton Street with Tokenhouse Yard, and long known as Whalebone Court.

Next day, 'upon the report of Mr. Allason the Surveyor, regarding the premises mentioned in the last minute, it was . . . resolved:

That Mr. Roy be authorized to give £350 for fine and fixtures, and £200 per annum for rent, ground rent etc., during 28 years . . .',

and the surveyor was directed to prepare plans, 'provided the contract be concluded'. On 13th February it was resolved by the Board 'That the Plans and Estimates of Mr. Allason for fitting up the premises in Throgmorton Street be approved of; and that a contract be formed with Messrs Jearrad to perform the work at the sum stated in their Estimates, namely, £760 independently of the sum of £ for Mr. Brahmah's Estimate of the Iron-work—Messrs Jearrad's Contract to be performed by the 1st of March under a penalty of £100'. A week later the Building Committee was authorized to 'expend a further sum of £100 for the purpose of increasing the light in the House in Throgmorton Street if they should deem it advisable'.

(4) THE BOARD OF DIRECTORS

As is clear from a previous section, the Committee found it difficult to get in subscription money owing to the desire of subscribers to see a definite 'Direction' set up. On 25th October the Committee passed a unanimous resolution¹ to the effect that 'no time should be lost in opening

¹ So stated in Minutes, p. 43.

communications with commercial men of wealth and respectability connected with the City, likely to lend their aid in the formation, and future conduct of the Bank; and with that view they directed enquiries as to the eligibility of various subscribers, and others, likely to take an active interest in the Establishment'.

Early in November the matter was taken up in earnest: on the 6th the 'Secretary read a copy of the special letter addressed to each member of the Committee on the 18th of last month, requesting their attendance at the present meeting for the purpose of taking into consideration the necessity of selecting four or five Gentlemen of character and property, connected with commercial houses of eminence in the City or of influence generally, to assist in the formation and future management and direction of the Bank and the disposal of the remaining shares. The names of many respectable persons were mentioned, some of whom were in communication with members of the Committee; and the meeting agreed that they should continue their exertions, collectively and individually, to procure the accession of such eligible persons as were likely to forward the objects in view, and to report thereon to next meetings'.

At the next meeting the name of one of the most important figures in the future history of the bank was added—that of Mr. (afterwards Alderman and Sir David) Salomons. On 12th December, 'Mr. Moxon having reported that David Salomons Esq., was desirous of lending his aid in the formation of the Bank; and it having been moved, seconded, and the question put from the Chair—Mr. Salomons' name was added to the list of the Committee'.

It is clear from the minutes that Mr. Salomons at once began to take a very active interest in the affairs of the bank. Five days after his election, the Committee drew up a circular concerning the terms upon which the bank would carry on business (i.e. 'The prospectus at opening of

business') in which necessarily the 'Directors' are mentioned, but the meetings of the Committee did not begin to be entitled 'a meeting of the Directors' until 24th December 1833. Meanwhile, the bank suffered a blow from the refusal of the Marquis of Bute, who was still to render the bank great services in the subsequent year, to serve as a Director. 'I have to acknowledge your letter of the 10th instant', he wrote, 'requesting to know my wish as to becoming a Director of the London and Westminster Bank—It is impossible for me to take office, and I am therefore particularly glad to see that you have so many respectable names enrolled as Directors.'

The formal establishment of the Board did not take place until 3rd February 1834. On that day¹ 'It was moved by Mr. Gibbes and seconded by Mr. Salomons—That the following members of the Committee for forming and establishing the London and Westminster Bank be now confirmed as the Directors of the London and Westminster Bank, and be entered in the Deed of Settlement accordingly, viz:

SAMUEL ANDERSON	HENRY HARVEY
HENRY BOSANQUET	JAMES HOLFORD
FREDK BURMESTER	MATTHEW BOULTON RENNIE
WILLIAM ROBERT	PATRICK MAXWELL
KEITH DOUGLAS	STEWART
JOSEPH ESDAILE	JOHN STEWART
CHARLES GIBBES	DAVID SALOMONS

and that the functions of the Committee do now cease.'

'It was moved by Mr. Gibbes and seconded by Mr. Salomons:

That the Board of Directors be now constituted; and, the Committee having terminated their labours, the Board do now confirm the several acts hitherto done by the Committee.

¹ Minutes, p. 109.

‘The Secretary reported that the Deed of Settlement had been signed by the Directors present; and the Secretary by direction of the Board read the 9th Clause of the Deed:

‘Whereupon it was moved by Mr. P. M. Stewart and seconded by Mr. Salomons:

That the following Gentlemen be appointed Trustees of the London and Westminster Bank:

SAMUEL ANDERSON
HENRY BOSANQUET
FREDK BURMESTER
CHARLES GIBBES
HENRY HARVEY

This list as given in the minute book evidently refers only to the Directors actually present and signing the Deed of Settlement. The provisional Committee had included Sir Thomas Fremantle and Pearson Thompson, Esq., and these gentlemen, though not included in the list of Directors referred to, are stated as being present at Board meetings on 6th February¹ and 10th February² respectively, so that it is clear that they continued to act as Directors throughout the period during which the bank was being formed.

The Board of Directors having been set up, it became necessary to lay down formal rules for the conduct of business. On 3rd February 1834 a subcommittee was appointed for a variety of purposes.³ The first report of

¹ Board Minutes, p. 113.

² *Ibid.*, p. 118.

³ ‘To arrange the various measures necessary to be considered preparatory to opening the Bank. To receive suggestions from the Manager, and other competent persons, thereon. To submit for the consideration of the Board a mode of investing, or otherwise appropriating the paid-up capital, which, when determined upon, ought not to be deviated from, unless by a resolution passed by the Board at a future time. To suggest the best mode of transferring the shares.’

the subcommittee (it became known as the 'Arrangement Committee') was read on 20th February 1834:

The subcommittee thought it desirable to direct their attention in the first instance to a proper mode of transacting the business of the Directors, and agreed to recommend to the Board the adoption of the following arrangements:

1. The London office shall be the head office where the Board of Directors shall always meet and issue orders for the Government of the Branches. The Manager at the London Office shall be the Manager of the whole Bank, and shall exercise over all the Branches the same authority which he exercises over the London office.
2. The Westminster Branch shall be governed by a Committee of two members appointed by the General Board. The Committee shall act according to instructions received from the Board, and shall send to the London office every evening, an abstract of the proceedings of the day.
3. The first Chairman and Deputy Chairman shall remain in office for a month; the Deputy Chairman of one month shall be the Chairman of the next month. This arrangement shall continue for three months, after which it is presumed that the Chairman and Deputy Chairman may be changed weekly.
4. The Chairman or Deputy Chairman shall be in attendance every day from ten o'clock to the close of the business of the Clearing.
5. After the number of Directors is complete, they shall attend in courses of three Directors daily from twelve to one o'clock. These with the Chairman and Deputy Chairman shall form a Committee for the day. The Committee shall be open to the gratuitous attendance of every other member of the Board.
6. The Chairman or Deputy Chairman shall, with the Manager, have joint charge of such property as it may not be necessary to leave in the custody of the Manager or the Cashiers.
7. The following shall be the plan of proceedings at the daily meetings of the Committee—and at each meeting of the Board of Directors:

Daily Proceedings of the Committee.

1. Read the Minutes of the preceding day.
2. Read such letters as may be submitted to them by the Chairman and Deputy Chairman, and direct how they are to be answered.
3. Decide upon such bills offered for discount as the Chairman and Deputy Chairman may submit to their consideration.
4. The Chairman and Deputy Chairman shall examine the Day Book and the General Ledger, and deliver to the Committee a report upon the transactions of the preceding day.
5. The Discount and the Deposit Ledgers shall also be examined weekly, and authenticated abstracts shall be laid before the Directors at their weekly meeting. The cash in the hands of the Manager and the cashiers shall be counted weekly by the Chairman and Deputy Chairman.
6. Every month three Directors appointed by the Board shall make a report upon the property and general transactions of the Bank.

Proceedings of the Board of Directors at their weekly meeting held every Wednesday.

1. Read the Minutes of the preceding meeting.
2. Read the Minutes of the proceedings of all the meetings of the Committees held at the London office during the past week.
3. Read the abstract of the London business during the preceding week.
4. Read the Minutes of the proceedings of all the meetings of the Westminster Committee during the preceding week.
5. Read the abstract of the transactions at the Westminster Branch in the past week.
6. Discuss any matter recommended to the consideration of the Board, by either the London or the Westminster Committee.
7. Discuss any special matter brought before the Directors by any member of the Board.

Having agreed upon the arrangements connected with the Government of the Bank and the business of the Board, the Committee proceeded to consider the forms of our cheques and Deposit receipts.

The Committee agreed to a form of cheque which has since received the sanction of the Board.

The form of the Deposit receipt was referred to the Bank's Solicitors who, after consultation, have handed the Committee a form which is now presented to the Bank.

The Committee recommended that their suggestions in this Report be adopted, and that the Committee be allowed to continue their sittings for the consideration of other topics mentioned in their appointment.

W. R. K. DOUGLAS
CHAS. GIBBES
JAMES HOLFORD
JOSEPH ESDAILE

February 20th, 1834

It will be remembered that the Deed of Settlement provided that up to twenty-four ordinary Directors might be appointed, as well as six honorary Directors 'holding 100 Shares or upwards each, who may attend Board Meetings and advise, but not vote'. The bank in fact started its career with fifteen Directors only.

(5) METHODS OF BUSINESS

The original Prospectus announced that it was 'intended, as far as may be practicable, to allow a graduated scale of interest on deposits; and while none of the best parts of the system pursued by London Private Bankers will be overlooked, it is proposed to give such other facilities to the public as have been afforded with so much advantage to all classes by Joint Stock Banks in Scotland, and by the various similar establishments more recently formed in England and Ireland'.

Shortly after Gilbert's appointment the question of procedure began to be taken into serious consideration. The minute book under date of 31st October 1833 records that:

The meeting proceeded to take into consideration a letter from Mr. Gilbert, of the 25th instant, regarding the conditions on which the Bank might deal with its customers:

- 1st with regard to not allowing Interest on current accounts.
- 2nd with regard to allowing Interest on permanent and other Deposits.
- 3rd in regard to discounting Bills of Exchange for parties not having deposit accounts with the Bank.
- 4th in regard to the expediency of granting Cash Credits.
- 5th in regard to acting as agents for Country Joint Stock Banks.

Lastly in regard to the propriety of prohibiting the servants of the Bank from receiving annual fees from its customers.

With regard to the 1st of these propositions, It was suggested by the Acting Secretary, that not to allow some Interest on Current Deposit Accounts might be very generally looked upon as a departure from the terms of the Prospectus and the system of Scotch Banking; and he suggested, further, that Interest might be allowed on the *permanent Balance* remaining in the Bank on each account current throughout each quarter of a year; that this plan would be a great inducement to the most industrious part of the tradesmen, and shopkeepers, to open accounts with the Bank, and to keep permanent Balances at their credit; and he read a short memorial, and produced some calculations, founded on real transactions, to shew that in practice, the interest would really be very trifling in amount, and would be attended by particular advantage to the Bank. It was agreed that these propositions should remain for further consideration.

The Committee agreed that the second proposition might be adopted—subject however to future regulation in regard:

- 1st to the rate of interest.
- 2nd to the amount of Deposit from each person; and whether the same rate of interest should be allowed on large as upon small sums, or be regulated, as to large deposits, by circumstances.

3rd as to the length of time money ought to be deposited—to entitle the Depositor to interest; and whether the Depositors of sums beyond a certain amount, should be bound to give a few days' notice of their intention to withdraw their deposit.

Some doubts were expressed whether, in the present state of the law, notes, bearing interest, could be given to Depositors in London; and also whether Mr. Gilbert's proposal not to allow Interest *1st* on fractional parts of a sum deposited, *2nd* on fractional parts of a month might not, in practice, be evaded, so as to diminish any advantage to be derived from it; and be inadequate to the dissatisfaction which might be created by this unusual mode of calculation.

The Committee expressed their approbation of the third, fourth, fifth, and last propositions of Mr. Gilbert, reserving to themselves (on the third) the power of refusing cash accounts to persons not likely to be otherwise beneficial customers to the Bank.

It was resolved on the motion of Mr. Harvey, seconded by Mr. Rennie, That these propositions should remain for further consideration at future meetings.

It will be seen that, with the exception of allowing interest upon deposits subject to notice, and even here with reservations, nothing was really decided. A further consideration of these subjects did, in fact, take place at the meeting of 5th December 1833, when some conclusions of great importance were reached. The minute of the Board runs as follows:

After considerable discussion on the subject of the Interest to be allowed by the Bank upon monies deposited for a certain period—the question was put from the Chair and the Committee were of opinion:

That Interest should be allowed on Deposits remaining for not less than three months.

That the rate of Interest shall be two per cent. per annum on all sums between £20 and £5,000.

That above £5,000 the Interest to be allowed must be made the subject of a special agreement.

That upon current accounts generally no Interest shall be allowed.

That the Accounts of Joint Stock Banks and Private Country Banks may be taken.

The questions were further put from the Chair, *1st* whether cash credits from one hundred to one thousand pounds should be granted on sufficient security and at the discretion of the Directors. *2nd* whether Commission accounts and Book accounts might be opened.

But the consideration of these questions was adjourned.

All these matters were discussed again on 17th December, when it was agreed to publish the resolutions. The following is the record relating to the subject:

The Committee having resumed the further consideration of the Resolutions of last meeting, with a view to their being published; and having examined and amended them seriatim—agreed that they should stand as follows, viz.:

LONDON & WESTMINSTER BANK

Directors:

SAMUEL ANDERSON, Esq.	JAMES HOLFORD, Esq.
HENRY BOSANQUET, Esq.	JON ⁿ . HAWORTH PEEL, Esq.
FREDK. BURMESTER, Esq.	MATTW. BOULTON RENNIE,
WM. ROBT. KEITH	Esq.
DOUGLAS, Esq.	PAT. MAXWELL STEWART,
JOSEPH ESDAILE, Esq.	Esq.
Sir THOS. FREMANTLE,	JOHN STEWART, Esq., M.P.
Bart., M.P.	DAVID SALOMONS, Esq.
CHARLES GIBBES, Esq.	PEARSON THOMPSON, Esq.
HENRY HARVEY, Esq.	

The Bank will receive current accounts on the same terms as they are now received by London Bankers.

Persons who wish to have current accounts with the Bank, without being under the necessity of keeping a Balance may, instead thereof, pay to the Bank a certain sum annually for the management of their account as may be agreed upon.

The Bank will receive permanent lodgement in sums from £10 to £1,000, at the rate of two per cent per annum. For these sums receipts will be granted called deposit receipts. If the

amount be withdrawn within three months no interest will be allowed. Sums above £1,000, lodged on Deposit Receipts, will be made the subject of a special agreement.

No interest will be allowed on the Balance of any current account.

Deposit receipts are distinguished from current accounts. Cheques cannot be drawn against a sum lodged on a Deposit receipt, but when the sum, or any part thereof, is withdrawn, the Receipt itself must be produced at the Bank, and delivered up.

Parties respectably introduced, not having an account with the Bank, may, nevertheless, have their bills discounted, or loans granted to them, upon approved securities.

The Bank will act as Agents to Joint Stock Banks, Private Country Bankers, and other parties residing at a distance.

Persons who may require letters of Credit to any part of the United Kingdom, the Continent of Europe, or other parts of the world may obtain them.

Allotments of shares that have been made to parties who have not paid the Deposit of £5 per share, will be cancelled, unless the Deposit be paid before the 15th of January next; and the shares, so cancelled, will be allotted to such other parties as may make application for them.

The Directors are proceeding with arrangements for opening the Bank as speedily as possible.

By order of the Board,

JAMES WILLIAM GILBART
Manager.

35 Great Winchester Street,
Old Broad Street.

17th December, 1833.

The publication of this announcement was not unfavourably received by the technical Press. In its issue of 27th December 1833, the *Circular to Bankers*, hitherto a critic of the proposed bank, after setting out the terms, added, 'The Directors of the London and Westminster Bank, it appears to us, are sagaciously and discreetly aiming at the acquisition of business of a somewhat different character from that which forms the principal

part of the business of the private bankers of the city. They propose to receive deposits on interest, and to keep accounts for their customers for a small annual or periodical commission-charge, instead of a lodgment of money not bearing interest. These are not absolute novelties in the practice of London bankers, but they are regulations which have never been generally acted upon by the old established firms of the City. We have no doubt that in process of time, when confidence becomes fully established, these regulations will contribute greatly to send customers to the new Bank'.

The Arrangement Committee, whose work has already been referred to in connexion with the Board of Directors of the bank, also dealt with the methods of business. In their second report, dated 25th February 1834, they 'directed their attention to the best means of employing the Capital of the Bank—and the most convenient mode of transferring the shares', whilst in their third report they 'took into consideration the terms of transacting Business'. The two reports in question follow:

LONDON & WESTMINSTER BANK
SECOND REPORT
OF THE ARRANGEMENT COMMITTEE

In their former report the Committee laid before the Board their suggestions respecting the arrangements for transacting the business of the Directors, and the forms of the cheques and deposit receipts.

The Committee have since directed their attention to the best means of employing the Capital of the Bank—and the most convenient mode of transferring the shares.

With regard to the first of these topics the Committee refrain at present from suggesting any *permanent* regulations for the employment of the paid up Capital, considering that such regulations may be more conveniently discussed when the nature and extent of the Bank's business shall have been ascertained. As a temporary measure the Committee recommend that 50 per

cent. be reserved, and that 50 per cent. be invested in Exchequer Bills in order that the whole may be available at a short notice in case of need.

With regard to the form of transferring the shares the Committee approved and adopted forms of notice and of transfer, which were submitted to them by the Bank's Solicitors. The Committee also recommend that the following fines be imposed upon the transfer of shares, viz. on five shares and upwards—one shilling per share besides the stamp—below five shares, two shillings and sixpence on each transfer, besides the stamp—transfers made without any pecuniary consideration shall be subject to a fee of ten shillings.

The Committee also reconsidered with the Bank's Solicitor, the form of the Deposit Receipts as recommended by the Board, with the view of enquiring how far it might be advisable to introduce into the receipt that a certain notice would be required before the sum could be withdrawn; and ultimately the Committee determined not to introduce this condition into the receipt, but to leave the Bank to make such an agreement with each depositor in case they should think proper.

The Committee then took into consideration the propriety of recommending to the Board to make a call upon the Proprietors for a further advance of Capital, and unanimously determined to recommend an immediate call of £5 per share.

The Committee recommend that the above suggestions be adopted by the Board; and that the Committee be authorized to deliver a further Report upon such other matters as they may take into their consideration.

JAMES HOLFORD
DAVID SALOMONS
CHAS. GIBBES

LONDON & WESTMINSTER BANK
THIRD REPORT
OF THE ARRANGEMENT COMMITTEE
(Presented 3rd March 1834)

At their sitting on the 28th Feb 1834 the Committee took into consideration the terms of transacting Business and agreed to recommend to the Board the adoption of the following regulations:

1. Country Banks shall pay one sixteenth per cent commission on the amount of the Debit side of their account, and be

allowed two per cent interest on their current Balance. Bills shall be discounted at the current rate of the day, but the Bank shall have the power of discounting or not, as they please.

2. Private Parties in the Country, shall be charged one quarter per cent, and be allowed three per cent interest on their current Balance, approved Bills to be discounted for them at such a rate as may be agreed upon.
3. Parties in London having current accounts, but not keeping a Balance, shall be charged a fixed sum according to the annual amount of the transactions—as mentioned in the following scale:

£4,000 and under—annually shall be charged	£5
£4,000 to £8,000	„ „ „ £10
£8,000 to £12,000	„ „ „ £15
£12,000 to £16,000	„ „ „ £20
£16,000 to £20,000	„ „ „ £25
£20,000 to £24,000	„ „ „ £30
£24,000 to £28,000	„ „ „ £35
£28,000 to £32,000	„ „ „ £40
£32,000 to £36,000	„ „ „ £45
£36,000 to £40,000	„ „ „ £50

Sums beyond £40,000 shall be made subject to a special agreement.

4. Deposit Receipts for sums under £1,000 shall be payable on demand; but such demand shall be made before twelve o'clock.

All sums above £1,000 shall be liable to a notice which shall be agreed upon, but such notice shall not exceed seven days—the interest shall cease from the day of notice.

The Committee recommend to the Board that the above arrangements be adopted, and that the Committee be authorized to make any further Report which they may deem necessary.

WM. R. K. DOUGLAS (Chr.)
 CHARLES GIBBES
 JOSEPH ESDAILE
 JAMES HOLFORD

These arrangements call for no particular comment in detail. It will however be observed that 'Private Parties in the Country' were to be treated differently from 'Parties in London having current accounts', inasmuch as the former were allowed 3 per cent interest on their current balance. This difference in treatment was clearly due to the competition of country bankers, the proposed rate on country balances being that habitual in many parts of the provinces.¹

Only a day later, the Board discussed another matter which was later to form the subject of a celebrated legal action, viz. the acceptance of bills,² and it will be seen that upon this subject there was not complete unanimity among the directorate. The Board minute for 4th March 1834 runs as follows:

A letter from Messrs Blunt, Roy, Blunt, & Duncan was read enclosing the following form of a bill approved of by Mr. Shee, viz:

£100.

Manchester, 1st March 1834.

Three months after date pay to my order the sum of one hundred pounds with or without advice.

JOHN SMITH

To Messrs Anderson, Bosanquet, Burmester, Gibbes & Harvey,
No. 39 Throgmorton Street, London.

[and crossed:

'Accepted payable at the London & Westminster Bank
No. Throgmorton Street, p. pro of the Drawees

J. W. GILBART']

And after considerable discussion, it was moved by Mr. Salomons,

That all Bills be addressed to 'The Trustees of the London & Westminster Bank'—that Bills drawn on the Bank be accepted in the individual names of the 'Trustees per procuration; and

¹ Above, Chap. I, p. 28.

² Below, Chap. IV, p. 155.

that the acceptance be signed by one Director and the Manager, according to the following form, viz :

£5.

London, March 3rd 1834.

Three days after sight pay to Richard Doe or order the sum of Five pounds, value received:

To the Trustees of the
London & Westminster Bank,
London.

[and crossed:

‘Accepted March 4th 1834

p. procⁿ of {
A. ANDERSON
H. BOSANQUET
F. BURMESTER
CH. GIBBES
H. HARVEY
D. SALOMONS
J. W. GILBART’]

An amendment was moved by Mr. Rennie, seconded by Sir Thos. Fremantle:

That it is not expedient to accept Bills in the name of the Bank, until such time as the Bank has an act to sue and be sued; and that Mr. Shee’s bill be adopted for the present.

On a shew of hands the amendment was negatived — there being 3 for the amendment and 7 against it. The original motion was thereupon put and carried; and it was directed that a form be sent to all parties with whom the Bank have accounts, desiring them to address bills to the Trustees accordingly.¹

Three days before the opening of the bank the Board made final arrangements for the allocation of lodgings among the ‘resident’ officers: ‘The Board after conversing

¹ Counsel’s opinion had been taken earlier upon the forms of the letter, cheque, and deposit receipt to be used by the bank, and also upon the question of the legality of drawing and accepting bills at a less period than six months’ date. ‘Whereupon it was resolved that the form of the letter, cheque, and Deposit Receipt be adopted; and that a special meeting be summoned . . . to decide on the form of accepting Bills . . .’ Board Minutes of 27th Feb. 1834.

with Mr. Thos. Moxon arranged that Mr. Gilbert should reside in the House at Waterloo place—Mr. Moxon to continue in his present residence—and that Mr. Robertson the Accountant, and Mr. Buist the Cashier, reside in the house at Throgmorton Street.¹ Finally, on 8th March, ‘The Board gave directions for an advertisement announcing that the Bank would be opened for business on Monday the 10th instant.’

In the course of the next few years the Directors of the London and Westminster Bank had not only to consolidate its position as a profit-making institution, but had also to conduct a many-sided contest in order to secure recognition of the institution by the ‘Great Powers’ of the City, a contest which was at first largely unsuccessful. The struggle for recognition requires separate consideration in the next Chapter.

¹ Board resolution of 7th March 1834.

APPENDIX

THE HUMBLE MEMORIAL OF THE JOINT STOCK COMPANIES IN ENGLAND¹

37 Great George Street,
June 21st, 1833

Sir,

I am directed by the Joint Stock Banking Companies in England issuing Notes to send you the enclosed Memorial, and to request that you will be pleased to lay it before the Lords Commissioners of His Majesty's Treasury, as soon as conveniently may be.

I have the honour to be

Sir

Your most obedient humble Servant,

ALEC MUNDELL

The Right Hon^{ble}. Thomas Spring Rice, etc., etc.

[Enclosed].

To the Right Honourable the Lords
Commissioners of His Majesty's Treasury.

The Humble Memorial of the Joint
Stock Companies in England issuing
Notes established pursuant to the
7th. Geo: 4th, Cap. 46.

Sheweth,

That in the correspondence which took place in the Year 1826 between the then First Lord of the Treasury, the then Chancellor of the Exchequer and the Governor, and Deputy Governor of the Bank of England, 'With respect to the extension of the term of their exclusive privileges' it was stated that 'it was obvious that Parliament would never agree to it'.

That in that correspondence the Bank was pressed to surrender its exclusive privilege as to the number of Partners beyond a certain distance from the Metropolis, and, 'the effect of such a

¹ Treasury In Letters, Record Office, Long Bundle 59 (T 1/3472).

measure' (it was stated) 'would be the gradual establishment of extensive and respectable Banks in different parts of the Country'.

That such surrender having been made the 7th Geo: 4th, Cap. 46 was passed pursuant to which the Joint Stock Banking Companies of your Memorialists have been established with great advantage to their several districts of which they enjoy the confidence, and the benefits they have conferred would have been greater if restraints had not been imposed upon them, which it is now proposed to remove.

But contrary to the good faith on which they were established they are now given to understand that they are to have various restrictions imposed upon them.

That among other restrictions it is proposed that every Bank issuing Notes shall invest one half of its subscribed Capital in Government or other Securities.

That the consequence of such a Condition would be to induce every Shareholder of a Joint Stock Company already established to require repayment of his Subscription and to withdraw from the Concern by reason of his being subjected to a condition which is a violation of the Contract of Partnership. That the loss thence to arise to the Shareholders would be the least part of the mischief. The districts which have largely benefited by the Establishments whether Agricultural or Commercial would suffer to an extent equal to the advantages which such Establishments have conferred upon them and the imposing of such a Condition would not only put down all Joint Stock Banking Companies now existing, but it would prevent the establishment of any others, because the profit to be derived where so large a part of the subscribed Capital was required to be invested would be so small, that no person would be induced to make himself personally answerable for the whole engagements of a Joint Stock Company.

That such personal liability is not only the best security that can be given for the Issues of any Joint Stock Banking Company, but is also the surest safeguard of careful management, which is of the essence of Banking.

That to limit such personal responsibilities in the way proposed by the Right Honourable the Chancellor of the Exchequer in the case of Joint Stock Banking Companies not issuing Notes of their own but using those of the Bank of England would be to remove the safeguard of good management and render the security of such Companies much less stable than those whose

Shareholders are personally answerable for the whole engagements of the Concern.

That the investing a part of any subscribed Capital affords no adequate security for the Issues of any Banking Company, as for example, in the case of the Bank of England—though its issues are now under Twenty Millions, yet its Issues have approached Thirty Millions with a paid up Capital of not quite half of that amount, and if the Resolutions proposed by the Right Honourable the Chancellor of the Exchequer shall receive effect with a Capital of less than Twelve Millions, there is nothing to hinder its issues from amounting to Sixty Millions.

That in respect of the Public; Banking Companies are in a situation no way different from other trading Companies. They are trusted with the Money of others as a Merchant who receives Goods on Consignment is trusted with the Property of others, and there is no more reason why the Government or the Legislature should interfere with the one, than it does with the other. Every Banking Company like every Mercantile Company is successful and extends its business according to the Confidence of the Public in its good management, and according to the manner in which it promotes the interests of its employers and any interference of the Government or of the Legislature may injure but cannot promote this Confidence.

That it was manifestly the intention of the Legislature in passing the 7th Geo: 4th, Cap. 46 to encourage the establishment of Joint Stock Banking Companies without restriction whereas according to the plan proposed by the Right Honourable the Chancellor of the Exchequer Joint Stock Banking Companies established under that Act though composed of One Thousand Shareholders with unlimited responsibility and a Capital of One Million are not to be allowed to issue a single Note, unless they shall invest half a Million in Government or other approved Securities while Private Bankers may issue to an unlimited amount without making any investment whatever.

That your Memorialists therefore deprecate any investment of or interference with the application of Capital or any security being required for Issues. But if any such Investment or Security is to be required they not less strenuously insist that it shall be required equally and alike from the whole Issuers of Notes whether by Chartered or Joint Stock Companies or Private Bankers, and that all shall be put upon a footing of fair and free competition which the Memorialists do not think can exist if

subjected to any interference whatever, but if there is to be interference, it should be of a kind and to an extent only which can apply to all alike.

That in submitting these Considerations to your Lordships the Memorialists desire to add that their Joint Stock Banking Companies are ready and willing to afford every publicity consistent with good management that can reasonably be required and particularly the publication of the Names of their Shareholders, the amount of their subscribed Capital and the portion of it paid up, with the amount of their weekly Issues.

Your Memorialists therefore humbly pray the attention of your Lordships to what is herein set forth, and that their establishments may not be broken up by any act of the present Government or of the Legislature, in which they engaged upon the faith of the encouragement given to them by a former Government and an act of the Legislature the restrictions in which they were given to understand would be removed upon the expiration of the Bank Charter, and that your Lordships will do otherwise in the premises as to your Lordships in your Wisdom and Justice shall seem proper.

And your Memorialists will ever pray,

SPENCER ROGERS

Chairman of a meeting of Delegates
from Joint Stock Banking Companies
in England issuing Notes, held in
Westminster the 20th June, 1833, by
order of the meeting.

[Endorsed]

Memorial of Joint Stock Banking Companies in England
issuing Notes, praying that their Interests may not be affected by
any Legislative enactment on the expiration of the Bank Charter.
No. 11,896. Registered 21 June 1833. Read 9th July, 1833. Nil.

[Put with a letter dated 9 May, 1828,
No. 8589. 'Country Banks in
England and Wales praying relief
in regard to establishment of
Branch Banks.']

CHAPTER IV

THE STRUGGLE FOR RECOGNITION

PART I

THE 'LONDON AND WESTMINSTER BANK BILL'

I

FROM a very early date in the history of the Provisional Committee, the further intentions of Government in respect of joint stock banking generally, as well as of London joint stock banks in particular, were a subject of constant pre-occupation. On 26th November 1833, the Committee approved of the following minute:¹

. . . and it being thought desirable to endeavour to ascertain the views of the Government with regard to the rules contemplated for the regulation of Joint Stock Banks in London, Mr. Esdaile suggested that the Chairman and one or two Gentlemen should request an interview with Lord Althorp for that purpose. Mr. Douglas accordingly addressed the following note to his Lordship:

'Mr. Keith Douglas presents his compliments to Lord Althorp. He is very desirous of having the honour of waiting on his Lordship with two other Gentlemen connected with the establishment of the London and Westminster Bank, for the purpose of being acquainted with such regulations as the Government think it desirable to make with regard to Joint Stock Banks of Deposit in London.

'Mr. Douglas will be much obliged to Lord Althorp if his Lordship can make it convenient to fix a day next week for seeing him.'

It took a week for Lord Althorp to make up his mind. Eventually an interview was fixed for 4th December,

¹ Minutes, p. 52.

and at their meeting on 3rd December, the Committee resolved¹ that 'Mr. Douglas be appointed and requested to wait upon Lord Althorp accordingly, accompanied by Mr. Duncan of the firm of Blunt, Roy, Blunt, and Duncan, the solicitors, to endeavour to ascertain whether Government are favourable to granting a charter to this establishment, and on what conditions; together with the views entertained by his Majesty's Ministers, generally, in regard to any regulations that may be in contemplation for the guidance of Joint Stock Banks of Deposit in the Metropolis.'

If the Committee had hoped to obtain a favourable or even a definite response from Lord Althorp they were doomed to disappointment. The Committee duly met on 5th December, and:

Mr. Douglas reported that he had had an interview with Lord Althorp according to appointment: That his Lordship seemed quite undetermined as to any particular course to be pursued in regard to regulating Joint Stock Banks of Deposit in the Metropolis; but that he was desirous of receiving a written communication on the subject of the London and Westminster Bank, stating the wishes of the Committee, for the consideration of himself and colleagues. It was suggested by Mr. Douglas, and agreed to by the Committee, that this communication should be deferred until Mr. P. M. Stewart, and other Gentlemen formerly in communication with the Government on the subject should arrive in town; and Mr. Douglas accordingly wrote to Lord Althorp to that effect.²

On 15th January 1834—barely six weeks before the formal opening of the London and Westminster Bank—an important communication was duly sent by W. R. K. Douglas, Esq., one of the Directors of the new bank, to Viscount Althorp. The text of the letter is given below, but it is as well to summarize its main points. After referring to a previous interview with Lord Althorp, of which no record remains, the letter draws attention to

¹ Minutes, p. 56.

² *Ibid.*, p. 58.

the grounds upon which the new bank was established: the growing tendency of the public to use the Bank of England as a depository of funds indicated the necessity of a new banking establishment in which the public could have confidence. The deed of settlement of the bank was so drawn up¹ as to prevent any 'practical difficulty in suing and being sued'. Nevertheless, the public might misunderstand the situation 'and many persons are desirous that the facility of suing and being sued should be given to the Bank in the name of its Manager, under Royal or Parliamentary sanction, without varying any other condition connected with the Partnership'. A precedent existed in that, by virtue of the Act 6 Geo. IV, c. 91, the National Bank of Scotland had been granted a charter. The Government was asked to extend the same privilege to the London and Westminster Bank. If this request were refused, Lord Althorp was asked to insert a new clause in the pending Bill on joint stock banks,

¹ The *Times* of 5th June 1834 contained the following, clearly supplied to the journal by the London and Westminster Bank (though no record of the opinion cited remains at the Westminster Bank itself):

The following opinion was given by James Lewis Knight and Robert Clayton Walters, Esqs., in September last, upon consideration of all the acts of Parliament relative to the Bank of England, including the Bank Charter Act of last session:

We are of the opinion that it would not be any breach of faith with the Bank of England for the King to grant a charter of incorporation to a joint stock bank of deposit in London; or for Parliament to grant an Act to such joint stock bank, enabling it to sue and be sued in the name of one of its officers; and we think that until such an act of Parliament or charter be obtained the business of the bank may be carried on in the name of the trustees, who (proper provisions for the purpose being inserted in the deed of settlement and other proper precautions as to their dealings taken) might alone sue and be sued in all proceedings between the company and the public; but we recommend that the clauses in the deed having reference to this object should be settled, and the precautions above alluded to be considered by equity and common law counsel in conference with conveyancing counsel.

‘authorising the London & Westminster Bank to sue and be sued by its Manager’. If this also were refused, ‘I would then ask if Government would offer any opposition to a Bill being brought into Parliament and passed at the instance of the London & Westminster Bank, for the same object’.

The text of the full letter is as follows:

Lord Althorp.

95, Eaton Square,
15 January, 1834.

My Lord,

With reference to the interview I had with your Lordship last month, at the desire of the Committee engaged in establishing the London & Westminster Bank, I now, at their request, propose to explain to you in writing, the objects to be obtained by this Institution; and to repeat to your Lordship the questions I then suggested to you, and which you had the kindness to say you would answer after you had consulted other Members of the Government on the subject of them.

Until the recent examination before the Committee on the Bank of England Charter, and the discussions connected with its renewal, a very general impression prevailed that it was illegal for more than six persons to associate themselves together within London, and 65 miles of it, for the purpose of undertaking the ordinary business of Banking. It is, however, now ascertained that no such prohibition does actually exist. The new Charter of the Bank of England declared the law upon this point: viz., that Parliament is restrained from creating or establishing another Bank, to discharge the duties and engagements devolved upon the Bank of England during the continuance of its Charter; but that any number of persons may unite together for the purpose of carrying on the business of Bankers in the same manner as six persons or a smaller number have been accustomed to do, provided they do not issue their own notes. Resting upon the grounds thus explained, a number of Gentlemen associated themselves together to give the public an opportunity of establishing the London & Westminster Bank, as a Joint Stock Company.

Their opinion was that serious evils might be averted, and much additional convenience and security afforded to all classes within the Metropolis, by such an Establishment. It is proposed

that the basis of this undertaking shall be a subscribed capital of £5,000,000 divided into 50,000 shares of £100 each; and a very large sum has been already subscribed.

It is intended to call up such portion of this capital as may place the Bank on the most independent footing in all its dealings, and at the same time give the public perfect assurance of their security in whatever deposits they may commit to its custody. It is expected that an Institution thus founded, and conducted by persons of experience, on sound principles of Banking, may not only give perfect security to the public, but regular accommodation to its Customers, even in times of pressure, to a greater extent than is ordinary, for no power will exist to divert the paid Capital to any private object of engagement; and the available resources of the Bank will, by regular periodical statements of account, be open to the knowledge of every Proprietor.

In the evidence taken before the Committee on the Bank of England Charter, it is probably to be regretted that the examination was almost exclusively confined to Bank Directors, or private Bankers.

The private Bankers in this enquiry dread the establishment of a Joint Stock Bank of Deposit in London, as injurious to their interests, and they allege that the public will also by means of it, not meet such convenient accommodation as they now do. A very material circumstance however has entirely escaped observation and comment, viz., the rapidly increasing competition which the Bank of England (inconveniently constituted as it is for conducting private accounts) has already raised against private Bankers in withdrawing from them, of late years, a very large share of the Deposits on which their accommodation to the public rested.

This is a very great evil, for it is narrowing, more and more, to one channel, the Banking aid required by the public, and when it is considered how extensive the duties already devolved on the Bank of England are, natural feelings of distaste are engendered against the additional power being given to that body, which must arise from their attracting so much more largely than heretofore, private deposits.

By the returns annexed to the enquiry into the Bank Charter, it appears that in 1815 and 1816, the private deposits with the Bank of England, on an average in these years, amounted to about £1,400,000. In 1822 they had increased to upwards of £2,000,000. In 1825 they had somewhat further increased, but

from that time the increase has been extreme, for they had grown, in 1830 and 1831, to about £6,700,000, and it is conjectured, if after returns were fully before the public, that a further increase still has taken place.

If it be estimated that there is a floating Capital of £30,000,000 existing as deposit in the hands of London Bankers, out of which Banking accommodation is afforded, it would appear that the Bank of England, from being considered the most safe channel of deposit, has of late attracted about one fourth of the whole into its Coffers, and that the private Bankers are impoverished in their means of accommodation in the same proportion.

If, most unfortunately, one or two private Bankers in London were to fail at the present time, it is apparent that the tendency of such an event would be to increase still more largely, private deposits with the Bank of England.

Under such circumstances it would appear that the interests of the Metropolis required some such Establishment as the London & Westminster Bank. With a Capital so large as I have stated it appears to have every chance of acquiring public confidence, and of attracting a considerable part of the deposits which are now, as it is thought, carried to an inconvenient extent to the Bank of England; the more especially, as it is intended to conduct the business of the Establishment with every convenience to the public that can be afforded by any private Banker, and to have offices at both ends of the town, of convenient access.

The Committee of the London & Westminster Bank have arranged the conditions of its Partnership by a deed of Settlement, and vested the protection of its rights, and property, in Trustees, so that no practical difficulty in suing and being sued or otherwise, arises in conducting its concerns. At the same time this subject is imperfectly understood by the public, and many persons are desirous that the facility of suing and being sued should be given to the Bank in the name of its Manager, under Royal or Parliamentary sanction, without varying any other conditions connected with the Partnership.

I would further add that they seek this accommodation having ascertained that it may be conceded without any infringement on the rights of others.

By the Act 6 Geo. IV, c. 91, it is provided that it may be expedient to grant Crown Charters to Institutions approved by the Government, and it is understood that this power has been recently exercised by granting such a Charter to the National

Bank of Scotland. I think, after the explanations I have given, the Government may consider the London and Westminster Bank so far deserving of consideration, as to induce them to enter into the investigation of whether or not it may be expedient to grant such a Charter.

If your Lordship is disposed to entertain this question, I am authorised to say that a deputation of the Committee of the London & Westminster Bank will be happy to wait on you, and give you such explanations on all points connected with it as may satisfy you of the prudence of granting the facility required. Your Lordship will oblige me by saying you will receive this deputation on the grounds I have mentioned.

If you give a negative to this proposal, I would observe that notice has been given, that Government are to bring in a Bill in the approaching Session, to regulate Joint Stock Banking Companies in the Country, and I would take the liberty of asking if your Lordship sees any objection when such bill is brought in, to add a clause to it, authorising the London & Westminster Bank to sue and be sued by its Manager.

If this proposition be also denied I would then ask if Government would offer any opposition to a Bill being brought into Parliament and passed at the instance of the London & Westminster Bank, for the same object.

It is so important and convenient to know, beforehand, the views of Government on these points, that I am persuaded your Lordship will have the kindness to forgive me for entering into so lengthened an explanation respecting them.

I have the honour to be, My Lord,

Your Lordship's most obed^t humble Serv^t,

W. R. K. DOUGLAS

The Right Honble.

Viscount Althorp.

Five days afterwards a most discouraging reply was received from Viscount Althorp:

My dear Sir,

The Act of the 6th of George 4th was I believe intended to be so worded as to give the Crown the power of granting Charters to Joint Stock Companies so as to give them the power of suing and being sued in the name of any one or more persons, but I have found from the communications which I have had with Gentlemen

of the greatest legal experience that it would under that Act be impossible so to word a Charter as to effect this object only. It is not therefore in my power to answer your first question otherwise than by saying that the Crown cannot grant the Charter which you ask. With respect to the second I am not aware that when I withdrew the Bill respecting to private Banking, I gave any such notice as is binding upon me to renew the subject during the next Session, and I certainly am by no means certain that I shall be able to propose any measure on this subject which will be satisfactory to myself and which I shall have a reasonable probability of carrying. What the course may be which Government will pursue in case the London & Westminster Banking Company introduce a bill must depend upon many circumstances of which we cannot at present be perfectly aware, and I therefore cannot give you any positive answer to your third question. I must however speaking for myself individually say that after what passed in Parliament when I introduced the Declaratory Clause into the Bank Charter Bill I should feel great difficulty in supporting any measure which extended the facilities to establish Joint Stock Banks in the Metropolis which were declared to be the law in that clause.

I have thus as well as I can answered your three questions, and therefore I conclude you will not wish to see me. If you do I shall of course be most happy to receive you.

Believe me, My Dear Sir,

Yours most sincerely,

Downing Street,

ALTHORP

Jan^y 20th 1834.

For the moment, this second discouragement determined the Directors to pursue another line altogether. At a directors' meeting on 23rd January 1834, it was decided that it was not 'expedient at the present moment to continue the correspondence with Lord Althorp, and that the consideration of appointing a deputation to wait upon his Lordship' be temporarily postponed. On the other hand, at the same meeting, it was resolved 'That the solicitors be instructed to draw up a paper, and submit it to Counsel, distinguishing, in the most concise

manner possible, the different liabilities and modes of proceeding by Trustees, by Act of Parliament, and by Charter'.¹ Having decided on a subsequent occasion to send a letter to Althorp reserving the right of the Directors to 'take such further proceedings on the subject, as they might collectively think necessary',² the Directors on 18th February 1834 decided to proceed by way of Bill:

That the solicitors be directed to prepare a petition to the House of Commons for leave to bring in a bill to enable the London & Westminster Bank to sue and be sued in the name of one of the Directors, or of the Trustees or any of them, or of the Manager, or any other public officer or officers of the said Company.

It was further resolved:

That Mr. Clay, M.P., be requested to present the Petition. Mr. Roy read the draught of the proposed bill, and the opinion of Mr. Walters thereon, which draught was approved of. Some suggestions were offered, and the Solicitors were directed to prepare the Petition for the signature of the Directors on Thursday next—for which day they are to be specially summoned.

The opinion of Mr. Shee, on a case submitted by the Solicitors, was read; and they were directed to obtain the opinion of Mr. Wightman and of the Solicitor-General on the same points, and to submit them to the Board . . .

and certain Directors 'were appointed to advise with the Solicitors to-morrow, in case of need, regarding any particular parts of the Petition or Bill'.³

Two days later the Directors met again. The petition was 'forwarded to Mr. Serjeant Spankie for presentation'. In the absence of the Solicitor-General, the solicitors were desired to submit the case to Mr. Wightman and Mr. Maule.⁴ On the same day, the London and Westminster Bank Bill was formally presented to the House of Commons: the *Times* Parliamentary Intelligence stated that 'Mr. Serjeant Spankie presented a petition from the proprietors

¹ Minutes, p. 96. ² *Ibid.*, p. 100. ³ *Ibid.*, p. 129. ⁴ *Ibid.*, p. 135.

of the London and Westminster Banking Company, praying for leave to introduce a bill to enable the Company to sue and be sued by their secretary'.¹

The bank was now committed to a severe parliamentary contest, and it was necessary to organize the bank's supporters. Meetings of the Board were held on 16th and 18th April.² On the latter date two decisions were taken. Lord Althorp was to be addressed again: furthermore it was resolved 'That the Directors use every exertion to ensure the passing of the Bill; and that they should request their friends in Parliament to give their aid and assistance in carrying it through'.

The letter to Althorp was duly sent. It was dated 18th April and consisted of two parts: (1) a protest against the action of the Bank of England in refusing a drawing account to the London and Westminster Bank,³ (2) a spirited defence of the bank in promoting the Bill, on the ground that it was asking, not for special protection for itself, but merely—'that it should be with us, as it ever has been with every large Partnership—viz, that the technical effect of the Law of Partnership should be remedied in the usual manner on such occasions'.

The portion of the letter relevant to the events now under discussion is as follows:

I have now to call your Lordship's attention to the Bill which is before Parliament at the instance of the London & Westminster Bank, to obtain for itself the usual power of 'suing and being sued' in the name of one of its officers. As is already publicly known, our Bank has been in operation for some weeks, the experience of which has proved that we have the power of carrying on general Banking Business, whatever may be the fate of the Bill alluded to. In thus conducting our business, it is right your Lordship should know that the sole inconvenience consists in our being obliged to conform to the Law of Partnership which requires, *when we have not made provision in special contracts to*

¹ *Times*, 21/2/1834.

² Minutes, pp. 171, 172.

³ *v.* Part III of this chapter, p. 162.

elude it, that we should, in all actions and suits, have the names of all our partners placed upon the record. This, obviously, is not an obstacle, or impediment, but simply discloses a defect in the common Law of Partnership, under which every Partnership of numbers labours. In consequence, it has been the invariable practice of Parliament, in modern times more especially, to pass acts 'to sue and be sued' as a matter of course. Your Lordship will at once see that in asking such a power, we do not seek *for any extension whatever of our privilege*. We merely ask that it should be with us, as it ever has been with every large Partnership—viz, that the technical effect of the Law of Partnership should be remedied in the usual manner on such occasions.

I make this communication to your Lordship at the desire of the Board of Directors; and as we are anxious to have the honor of an interview with your Lordship on this most important subject, I have to request you will be so good as to fix an early day for receiving me, and some of my Brother Directors.

I have the honor to be,

My Dear Lord,

Yours most faithfully,

P. M. STEWART

P.S.—I beg leave to enclose copies of the letters which have passed between the London & Westminster Bank and the Bank of England, and the Committee of the private Bankers.

It will be noted that Mr. Stewart's letter closed with the request for an interview. That request was duly granted, and a deputation consisting of Mr. Salomons, Mr. Gibbes, Mr. P. M. Stewart, and Sir Thomas Fremantle, accompanied by Mr. Duncan the solicitor, was duly appointed.¹ The result of the meeting may be clearly gathered from the two following resolutions, passed by the Board on 28th April 1834:

1. Resolved That it is expedient to proceed with the Bill to sue and be sued; and that the Solicitors be directed to endeavour to have a day fixed for the second reading early next week and that the Directors request their friends in Parliament to give it their best support.

¹ Meeting of 23/4/1834 (Minutes, p. 173).

Sir Thos. Fremantle and Messrs. Stewarts were requested to wait upon Mr. Spring Rice and Mr. Poulett Thompson, to ascertain their sentiments on the subject of the Bill, and to report.

2. Resolved That the Committee at Waterloo Place be authorized to print Mr. Keith Douglas' and Mr. P. M. Stewart's letters to the Chancellor of the Exchequer and the recent correspondence with the Bank of England and Chairman of the Committee of Private Bankers, with a view to circulation in such quarters as they may consider it likely to be useful.¹

The battle was now to be transferred to Parliament: in the House of Commons the London and Westminster was to triumph, only to be defeated in the House of Lords.

II

The second reading² of the Bill was moved by Mr. Clay on 7th May 1834, in a badly reported speech and was followed immediately by Althorp. The bank, said Clay, 'sought no exclusive privilege or powers, but merely for the convenience of suing and being sued in the name of their Chairman'. He did not anticipate any objection on the part of the Bank of England, as it did not in any way interfere with the privileges of that establishment. Within the last twenty years the privileges sought by this company had been 'granted to no less than 42 associations'.

Althorp took up an attitude of decided hostility. He thought the powers asked for would increase competition, 'and he did not think there would be any advantage to the public from such a state of competition as the bill would give rise to'. If the proposed powers were unimportant, why ask for them? The whole of Clay's

¹ Board Minutes, p. 173 (a).

² The Parliamentary history of the Bill can be followed from *Hansard*, 3rd Series, Vol. XXIII, Cols. 686 *et seq.*: 1305 *et seq.* (Commons) and Vol. XXIV, Col. 435 *et seq.* (Lords). Much fuller information may be obtained from the *Times*, May 8, 27, 28, 31: June 17, 21, 25: July 5: and August 2 and 6, 1834.

speech, in fact, showed that they *were* important: the effect of passing the Bill 'would be to the advantage of the Joint Stock Banks, for the exclusive privileges of the Bank of England interfered with the internal arrangements of those banks, and thus rendered it more disadvantageous to the public'. Parliament would not be justified in upsetting the recent bargain with the Bank of England. 'This was the main ground upon which he opposed the proposition; besides, he did not think the public would derive any advantage from it; and even if it would, he thought that they were bound not to depart from the terms upon which the last charter had been granted.'

The subsequent debate added nothing: the whole of the discussion was dominated by the issue of expediency on the one hand as against the rights of the Bank of England on the other. The London and Westminster's point of view was supported not only by the professed 'friends' of the new establishment, but also by Joseph Hume, A. Baring, and Sir F. Burdett. It was opposed by Sir J. Wrottesley, and Mr. Alderman Thompson, the official spokesman of the Bank of England in the House of Commons. The voting was 143 for the Bill, 35 against: majority, 108. The London and Westminster Bank had won handsomely on the first round.

The third reading in the House of Commons followed on 26th May, Clay being again in charge of the Bill. The ground traversed was necessarily the same, but the debate was remarkable for the intervention, not only of Viscount Althorp but of the Solicitor-General, and also of William Cobbett, whose speech evidently delighted the House—'being fully convinced that of all the scourges that have been inflicted upon mankind, Banking, Banks and Bank paper are the greatest, I shall not vote for the establishment of a new Bank (laughter). But as this new Bank may probably do mischief against the old one, I

shall not vote against it. I think, therefore, the safest course will be not to vote at all (Loud laughter)!'

The Solicitor-General expressed the view that to grant the power asked for by the London and Westminster Bank would be a 'gross violation' of the Bank of England's privileges. 'That was his construction of the law and he would be a bold lawyer who could put any other construction upon the part of the Act [39 & 40 Geo. III, c. 28] he had read to the House. He contended that to agree to the third reading of the Bill before the House would be to give facilities to the London and Westminster Bank to carry on the business of Banking in a manner not contemplated by the law; and if it had that effect, it would be a gross violation of the contract which had been entered into with the Bank of England. In opposing the third reading of this Bill, therefore, he felt that he was upholding the contract to which he had adverted.'¹ In spite of this powerful opposition,² the voting on the third reading gave the Bill a majority of 61,—137 against 76: a considerable reduction when compared with the majority on the second reading.

The progress so far was naturally very gratifying to the Directors, and at a Board Meeting on 28th May it

¹ *Hansard*, 3rd Series, XXIII, Col. 1310.

² Viscount Althorp admitted 'lobbying' against the Bill. 'The hon. member for the Tower Hamlets taunted him with making exertions to oppose this Bill. He owned that he had. He felt he was bound to maintain the bargain he had entered into with the Bank [of England]. He felt that he was justified in making every exertion to oppose this Bill, and if he did not, and if the Parliament did not reject it, he thought that neither he nor the Parliament would do what was proper. It did appear to him that if the bargain which he had made with the Bank of England were broken, the national faith would be violated; and he contended that the terms of that bargain were advantageous to the country. If the House agreed to the third reading of the Bill they would give to the London and Westminster Bank exclusive privileges which he thought it ought not to possess. He hoped, therefore, that the House would not pass the Bill, for their doing so would form a dangerous precedent hereafter.'

Op. cit., Col. 1318.

was resolved, 'That the unanimous thanks of the Board be given to Sir Thos. F. Fremantle, P. M. Stewart, and John Stewart, Esqrs., for their great exertions in supporting the Bill through the House'. At the same time the solicitors 'were instructed to draw up a petition to the Lords (in answer to the petition to be presented by the Bank of England) to be submitted to the Committee sitting at the Branch Bank'.¹

III

On the same day, 28th May, Earl Grey, the First Lord of the Treasury and leader of the Administration, presented to the House of Lords a petition from the Directors of the Bank of England against the Bill and praying to be heard by counsel against its enactment. The 'noble earl stated that he learned with equal surprise and regret that the bill in question had been read a third time and passed in the House of Commons; and in the ordinary course of things, a first time in their Lordships' House. He thought the petition ought to be heard by counsel, and to allow of that taking place, he would request the noble marquis who had charge of the bill to consent to postpone the second reading for some days'. To this course the Marquis of Bute, in charge of the Bill on behalf of the London and Westminster Bank, assented. Three days afterwards, he presented a counter-petition and supported it in a long speech,² which led to the interruption of the Lord Chancellor on the technical point of whether it was desirable on that occasion to have the petition read at full length: 'if such a course were once taken, every petition for a private bill might, by the

¹ Board Minutes. p. 177. The special Committee at the Branch Bank (obviously appointed to meet there in consequence of proximity to the Houses of Parliament) had been appointed by the resolution of 28th April, above.

² *Times*, 31/5/1834.

same rule, be read at length. If in any case more than another such a proceeding would be objectionable, this was the case. They were first to have the petition read at length, which contained only *ex parte* allegations, and afterwards to have the same matter reiterated by counsel'. The Marquis again agreed to a postponement of a second reading.

The whole situation was now to take a very dramatic turn. On 16th June, 'during the exclusion of strangers from the gallery, the order of the day for hearing Counsel against this bill was read. Counsel were accordingly called in'. The Lord Chancellor having said that only one counsel could be heard on the same side, Sir E. Sugden spoke against the Bill, 'Mr. Follett was heard by their Lordships in support of the second reading, and Mr. Harrison replied to Mr. Follett'.

What followed had best be given in the shape of the contemporary report of the *Times*:

The LORD CHANCELLOR quitted the table, and, addressing the house, said he had listened with much attention and great satisfaction to the arguments which their lordships had just heard. He begged to express his great gratitude to the learned gentlemen at the bar, not only for the light they had cast upon the questions under discussion, not only for the extraordinary ability and zeal with which they had applied themselves to the points they were called upon to argue, but likewise on account of that for which he was rarely called upon to express his gratitude to counsel—namely, the remarkable succinctness with which they had discharged the important duties they owed to themselves and their clients. On the question before their lordships it was not fitting that he should at that time pronounce an opinion, partly in consequence of the bill having been sent up to that house after a full discussion in the other House of Parliament, partly in consequence of the great number of persons who were concerned in this new plan—scheme, he meant, if not disrespectful, mercantile speculation, or whatever else it might be called—partly in consequence of these considerations and partly in consequence of others, to which he need not more particularly advert,

he was warranted in assuming that the present would not be the last attempt to accomplish the object which the promoters of the bill had in view, if their lordships did not come to a prompt and satisfactory decision upon the question submitted to their consideration. Conflicting opinions on this important subject were entertained in Westminster Hall. There were many able lawyers who had deliberately arrived at one conclusion, and there were at the same time many gentlemen of no inconsiderable eminence in the profession, and whose opinion would have much weight with the public out of doors, who had arrived at a conclusion altogether different. It would on those accounts, then, be a matter of much moment and of great public convenience, as well as more comfortable to the Bank, that the law should be forthwith ascertained, and a decision made by their lordships calculated to satisfy all parties. The course which he intended to propose would lead to no delay and occasion no trouble. (Hear, hear!) It was, that they should allow himself or his noble and learned friend the Chief Justice, who was the deputy-speaker of that house, to sit there on any day on which the learned judges might be enabled to give their attendance. A question might then be proposed to those learned persons which he felt fully convinced would bring the matter to a short issue. Indeed, he might almost say that he had already prepared a question for that purpose, and it was something to this effect:—Whether there was anything in the proposed provisions which would amount to an infraction of the legal rights of the Bank of England under subsisting statutes—that was, whether there might be permitted to exist in the metropolis a joint-stock banking company of more than six partners, with power of suing or being sued in the name of their secretary or one of the partners. Even though the answer of the judges might be in the affirmative, it did not therefore necessarily follow that their lordships should come to that decision which the parties who contended for the affirmative sought to induce them to arrive at, for to whatever vote that house might eventually come, due regard must be had to the understanding which subsisted between the Government and the Bank on the subject of the exclusive rights of the latter; and whatever might be the state of the law, that house ought still to exercise a sound discretion in the adoption of any new measure. Besides, whatever opinion the judges might give on the existing state of the law, and the effect which the proposed measure might have upon

acts of Parliament already passed, there would be this other question for them to decide—namely, whether the Crown could legally grant such a charter as would be sufficient for the purposes which the promoters of the bill had in view.

The opposition was led by the Duke of Wellington. Even if the judges did come to a conclusion favourable to the London and Westminster Bank, what was contemplated 'amounted to nothing less than a breach of faith with the Bank of England. . . . He came down that night to support the Government in their bargain with the Bank of England. The officers of the Government had made a certain contract with the Bank, and he stood to make sure that the contract was made good . . . whatever their (the judges') opinion he should support the Government in the bargain they had made with the Bank'. He was supported by Lord Eldon and Earl Grey. The Marquis of Bute, disclaiming 'any other than public motives', said that the promoters of the Bill were perfectly ready to have the opinion of the judges, whereupon the further consideration of the Bill was adjourned.

IV

The meeting of the judges and the peers took place on Friday, 20th June 1834. Two days before, the Directors of the London and Westminster met and resolved 'That a petition (which was read and approved of) be presented from the Directors, praying their Lordships to call for evidence of an alleged compact or agreement between the Chancellor of the Exchequer and the Bank of England not to give facilities to the London and Westminster Bank'.¹ This was tantamount to a demand that the House of Lords should investigate the terms of the 'bargain' to which reference had so frequently been made in the

¹ Board Minutes, p. 180.

debates. The petition was duly presented by Lord Wicklow, but it had no effect upon the course of events.¹

When the great day arrived and the question was put to the judges, the result was a complete fiasco, as is indeed clear from the *Times* report:²

Shortly after 10 o'clock this morning, the following peers and judges assembled to hear the question subjoined, in reference to the London and Westminster Bank Bill, which has been brought up from the Commons, and is now awaiting a second reading: Lord Wynford, the Earl of Stradbroke, Lord Bexley, the Bishop of Hereford, the Marquis of Bristol (the Duke of Cumberland and the Marquis of Bute afterwards joined them), the Lord Chief Justice Tindal, Mr. Justice Taunton, Mr. Justice Littledale, Mr. Justice Vaughan, Mr. Justice J. A. Park, Mr. Baron Parke, Mr. Baron Alderson, Mr. Justice Patteson, and Mr. Justice Williams.

Sir Edward Sugden, Mr. Harrison and the Recorder appeared for the Bank of England, and Mr. Follett, Mr. Shee and Mr. Wrangham for the petitioners in support of the bill.

A copy of the order of the house of Monday last, together with the question for the consideration of the learned judges, follows:

Ordered by the Lords spiritual and temporal in Parliament assembled that the bill entitled 'An act to enable the company called the London and Westminster Bank to sue and be sued in the name of one of their directors, or of the trustees, or any of them, or of the manager or managers, or any of them, of the said company', be taken into the consideration of the learned judges on this question on Friday next,—'Are the provisions of this bill inconsistent with the Bank of England's rights, as secured to it

¹ *Times*, 5/7/1834: Lord Wicklow presented a petition from the Directors of the London and Westminster Bank, complaining of the opposition that had been made to the measure, relative to that bank and praying that they may be allowed to prove at the bar that there was no such contract made with the Bank of England as that which the counsel who argued against the bill alleged to have been entered into on the renewal of the Bank Charter. The noble Lord also moved for copies of all communications between the Government and the Bank of England, relative to the renewal of the Bank Charter, from and after the 3rd June, 1833: which were ordered.

² *Times*, 21/6/1834.

under the following acts:—5th of William and Mary, Cap. 20; 8th and 9th of William and Mary, Cap. 20; 6th of Anne, Cap. 22; 15th of Geo. II, Cap. 13; 21st of Geo. III, Cap. 60; 39th and 40th of Geo. III, Cap. 28; and the 3rd and 4th of William IV, Cap. 98.”

Mr. HARRISON then proceeded to open the case on behalf of the Bank of England.

The learned judges then conferred together, and there was a short pause, after which—

Lord WYNFORD said: ‘Allow me, my lords, to address you a few words on this subject. It has been communicated to me that the learned judges have had some difficulty presented to them as to the possibility of their consideration of this question. I therefore move that they may retire for the purpose of conferring and considering whether they can answer the questions put to them in reference to this subject.’

The learned judges then retired, and after being absent for about three quarters of an hour returned to the house, when Lord Chief Justice TINDAL addressed the house, saying: ‘His Majesty’s Judges after considering the question which has been proposed to them, find it proposed in terms which render it doubtful whether it is a question confined to the strict legal construction of existing acts of Parliament, and they therefore, with great deference and respect to your Lordships, request to be excused from giving an answer.’

Lord WYNFORD said, when the question was submitted to the house the other evening, he himself entertained great doubts whether their Lordships could give an answer to it. He had framed two other questions, but before he submitted them for consideration, he thought it better to consult the Lord Chancellor. He therefore now moved that the further consideration of the subject be adjourned *sine die*. Agreed to.

The later parliamentary history of the Bill is merely a record of fruitless efforts by the Marquis of Bute both to bring on a second reading and to secure the removal of opposition. The last of these efforts was made on 6th August, when Viscount Melbourne, who had by this time become Prime Minister,¹ asserted that, though it was still open to bring forward the Bill, he regarded it as inconsistent ‘with the rights and privileges of the Bank of England by a recent

¹ Lord Grey resigned on 9th July 1834.

Act of Parliament, and that, therefore, whenever the bill was brought forward, he should give it his opposition'.

The Directors of the London and Westminster Bank finally realized the uselessness of further efforts.¹ On 11th August 1834, the following letter was addressed to Bute on their behalf:

*The Most Noble the Marquis
of Bute.*

August 11, [1834]

I am desired by the Directors to convey to your Lordship a copy of the enclosed vote of thanks, passed this day at a full meeting of their Board, and at the same time to communicate to you, that the Directors, in consequence of the systematic opposition manifested to the progress of their Bill, and of the discovery that under the existing law, they are enabled at any time they may desire it, to have all the facilities of suit, sought by their present Bill, have decided upon withdrawing it; and that they will feel much obliged by your Lordship taking that step and conveying to the House of Lords the specific grounds upon which it is taken.

I have the honour to be, etc.,

[Enclosure]

At a meeting of the London and Westminster Bank Directors specially summoned to consider the steps to be adopted in respect of their Bill now before the House of Lords, it was resolved unanimously:

That the thanks of the Board should be conveyed to the Marquis of Bute for the unremitting attention and valuable assistance he had given to the Bill during its progress in Parliament.

¹ The following is recorded on p. 186 of Minutes under date of 30th July 1834:—

Mr. Duncan, the Solicitor, Reported on the Bill in Parliament: That he had seen Lord Bute, and ascertained through him that the opposition of different Lords continued as before; and that a promise had been given by the Government, in the House of Commons, to appoint a Committee, for next session, to examine the general law of Partnership under which the London and Westminster Bank would be able to push their claim, and therefore it was the less necessary, *in the face of assured defeat*, to pass the second reading of the Bill in the House of Lords this session.

A few weeks later the Directors published an advertisement in the *Times* asserting that 'the opposition, which in the vain hope of arresting the progress of the Bank, has been shown to the Bill introduced by the Directors into Parliament will in no way accomplish its object, the constitution of the Bank being perfectly efficient¹ for carrying on its business, and for securing to the public in the Metropolis undoubted stability, and all the other advantages which joint-stock banks have afforded throughout the country'. On 16th August a circular had been issued by the London and Westminster Bank to its shareholders analysing the manner in which it could sue and be sued under the existing law and reassuring them on that point.² For the moment the Bank of England had won a decisive victory.³

¹ The following resolution had been passed on 11th August:-- 'The Solicitors reported the opinion of Messrs Knight, Walters, Shee, and Campbell, as undernoted, respecting the power of the London and Westminster Bank to sue and be sued under the existing Acts of Parliament; and it was

Resolved:—That the Bill should be withdrawn in the House of Lords, and that the following votes of thanks should be conveyed to the Marquis of Bute and Mr. Clay, and that letters stating the reasons of withdrawal should be forwarded to them at the same time.' [*v.* letter to Bute, on opposite page.]

² *v.* Appendix III to this Chapter, p. 180.

³ It may be pointed out that, though the delay in pushing on with the second reading in the House of Lords was quite evidently due in the main to a stronger opposition than had been anticipated, other tactical considerations also played a role, as is evident from the following Directors' resolution, dated 16th July 1834 (Board Minutes, p. 184):—'The Solicitors were instructed to wait the issue of a notice given by the Attorney-General, for the introduction to Parliament of a Bill relating to trading Companies, before proceeding to get the second reading of the London and Westminster Bank Bill in the House of Lords; and it was

Resolved:—That a special meeting of the Directors should take place the day following any discussion in the House of Commons on the subject; and that, in the meantime, the solicitors should endeavour to ascertain the temper of the House of Lords on our own Bill.'

V

The matter was resumed again in 1835. The proceedings in Parliament had not been allowed to pass without some adverse Press comment. To the *Times* it seemed that 'The Bank of England has as little right to oppose this bill as if it referred to a bank in Canada or Nova Scotia'.¹ Even the *Circular to Bankers*, dissatisfied as it was at the extension of the joint stock banking principle, did not hesitate, whilst the Bill was still under discussion in the Commons, to declare that 'the noble Lord's [Althorp's] attempt to perpetuate the monopoly of the Bank . . . is amongst the most inconsistent proceedings that we ever observed in a Minister', and pronounced its satisfaction 'at seeing the grasping and monopolising conduct of the Bank checked by the influence of public opinion'.²

In December 1834 the Melbourne Administration was replaced by that in which Sir Robert Peel became First Lord of the Treasury and Chancellor of the Exchequer. On 11th February 1835, Mr. Joseph Esdaile addressed a letter to the Prime Minister (the text of which follows) in which the intention of exclusive privilege is emphatically denied, but the demand is made for such an alteration of the Law as would enable 'civil proceedings by a large partnership . . . to be conducted with as great facility as criminal proceedings'. The Directors of the London and Westminster Bank therefore desired the honour of an interview. The letter was thus worded:

To the Right Honorable
Sir Robert Peel, Bart., M.P.,
Chancellor of the Exchequer,
etc., etc.

Feb. 11th [1835]

The Directors of the London & Westminster Bank, under the circumstances which I will take the liberty to detail, respectfully request the honor of an interview. Formed under the express sanction of the last Bank Charter Act, the London & Westminster Bank has since March last conducted a daily increasing

¹ Money Market article, 10.6/1834. ² Issue of 9th May 1834.

business, as a Bank of Deposit and Agency. The proprietary consists of upwards of 600 respectable partners, many of whom are possessed of great wealth. It has distributed amongst these Partners 17,931 shares of £100 each, upon which calls to the amount of £10 per share have been already paid, and a call of £5 p^r share more is now in the course of payment, making a capital of upwards of £250,000 already paid up.

The Bank applied last session for the ordinary act to sue and be sued by a public officer. A groundless opposition was offered to the application by the Bank of England, and the second reading of the Bill in the House of Commons was carried by a majority of 143 to 35. In committee it passed without a division, his Majesty's present Solicitor-General being counsel for the London & Westminster Bank on that occasion, and on the third reading the Bill passed with a majority of 137 to 76.

In the House of Lords the opposition was continued, and both parties were heard by counsel at the Bar of the House. The question then debated, whether the London and Westminster Bank was by the Bill obtaining special privileges, to the infringement of the exclusive privileges possessed by the Bank of England, was referred by the House to the consideration of the 12 Judges.

The Judges met, and declined answering the question put to them. A promise was given that new questions should be framed, which was not done, and the Judges, having dispersed upon their circuits, could not again be called together, and the Bill was therefore obliged to [be] dropped, after the London & Westminster Bank had incurred a most serious expense.

It was invidiously said that the London & Westminster Bank was seeking, by this Bill, particular privileges for itself; that it did not ask relief by a general alteration in the law, that it wished to be specially erected into a Bank by the aid of Parliament. These allegations were incorrect. The Bank did not wish for the aid of Parliament to erect it. The Bank was an existing Bank in active business; all that it asked was, that His Majesty's Courts of Justice should be freely open to it, that it might conveniently bring actions against fraudulent debtors, and be easily and be effectually sued by its Creditors. These powers it was considered that the very morality of legislation could not withhold from large partnerships, brought into being and expressly sanctioned by the statute law of the realm. No instance existed of similar powers having been denied by Parliament to a large partnership. The Bank had merely asked (to use the language of Mr. Huskisson)

for 'what any persons were fairly entitled to, whose numbers were so large that it might be inconvenient to them to sue and be sued in their own names'.

But the application would never have been made for the individual London & Westminster Bank, nor would it have been necessary if the state of the partnership law in respect to all civil proceedings by large partnerships had been amended as it requires to be, and had analogously been brought to the same perfect state in which the Law as to criminal proceedings by large partnerships is brought under the sections of your criminal amendment acts, copies of which I have the honor to enclose.

It will be obvious to you that there is no great shade of difference in a large partnership being able to pursue by civil proceeding a fraudulent debtor who takes and keeps the money of the Bank, and being able to punish such debtor criminally if the act of taking passes the line of debt and amounts to a crime. So also must it be obvious that the community dealing with the Bank and being creditors upon it, are entitled to have a legislative provision forced upon the Bank, to render as easy as possible its being sued by its creditors. The Directors of the London & Westminster Bank consider, and in this opinion have the concurrence of most commercial men, that civil proceedings by a large partnership ought to be conducted with as great facility as criminal proceedings, and stating as they through me now desire to do that they have no wish whatever if otherwise relieved, to apply this session to Parliament to have a bill passed specially in favor of the London & Westminster Bank, or to obtain any privileges or facilities not possessed by all other large partnerships in the Kingdom, most respectfully desire to know, whether it is the intention of Government to introduce any general law for the relief of such partnerships, and for putting them as near as may be, and without expense to them, on the same footing as smaller partnerships in the facility of suing their debtors and being sued by their creditors.

Upon this subject the Directors respectfully request the honor of an interview for a deputation of their body, at your perfect convenience, at which they can more fully state their views, and learn what amendments it is proposed to make in the general law of partnership in the respects chiefly to which this communication has alluded.

I have the honor to be, Sir,

Your most obed^t and very humble Serv^t

JOSEPH ESDAILE, *Chairman.*

Sir Robert Peel's reply referred again to that 'bargain' with the Bank of England, of which such great use had been made by Viscount Althorp:

Downing Street

Sir,

February 14th 1835

I have the honor to acknowledge the Receipt of your Letter of the 11th Instant, and beg leave to express my Regret that my time is, at the present moment, on account of the approaching Meeting of Parliament, so wholly occupied by pressing Public Business, that I could not, without inconvenience, name a time for receiving a Deputation from the Directors of the London and Westminster Bank.

The main ground relied on, in opposition to the Bill of last year, to which you refer, was an especial one.

It rested on the allegation that the enactments of that Bill were at variance with the spirit of Engagements previously entered into between the Bank of England, and the Government.

I beg leave to acquaint you that it is not in the Contemplation of the Government to submit any measure to Parliament, either general, or limited in its operation, which will decide the question at issue, between the Bank of England and the London and Westminster Bank.

I have the honor to be

Sir

Your obedient Humble Servant

Joseph Esdaile Esq^{re}

ROBERT PEELE

Mr. Esdaile's reply was a vigorous denial that any such 'bargain' existed, and a further affirmation of the willingness of the London and Westminster Bank to meet the *legal* issues squarely. There follows the text of the letter :

To the Right Hon^{ble}

Sir Robert Peel, Bart., M.P.,

Chancellor of the Exchequer.

Feb. 21, [1835]

Sir,

I have had the honor to receive your letter of the 14th instant, and on the part of the Directors of the London & Westminster Bank I have to thank you for your prompt reply to my communication. When the immediate pressure of the urgent and

important business now on your hands shall be removed they still hope to have the honor of an interview.

A personal communication is rendered in their opinion the more necessary because your letter leaves them doubtful whether instead of the case of the London & Westminster Bank being considered as resting upon the legal interpretation of the Acts of Parliament relating to the Bank of England, these are to be departed from, and an alleged engagement set up in their stead which is not to be found in the last Bank Charter Act, and to which it was sought to give an effect, and spirit, that would extend the privileges of the Bank of England beyond those it ever possessed since its first establishment.

It is respectfully but firmly denied by the London & Westminster Bank that such an engagement was ever made; the Directors took the utmost pains during last session to obtain its terms, and by whom and with whom it was made, and without effect; and they concluded by the case having been referred to the twelve Judges, and also by the statement of Lord Melbourne in the House of Lords on the 5th of August last, a copy of which, as taken from the *Mirror of Parliament*, I have the honor to enclose, that the matter at issue between the London & Westminster Bank and the Bank of England was to be decided upon the Acts of Parliament; any question or issue upon them including every act, from the first establishment of the Bank of England, the London & Westminster Bank is prepared, with the utmost confidence, to meet.

Under these circumstances, and wishing perfectly to understand the terms of your letter, the Directors take the liberty of asking whether the engagements with the Bank of England referred to in it are any other than those contained in the Acts of Parliament relating to that Bank.

I have the honor to be, Sir,

Your most obed^t & very humble Serv^t,

JOSEPH ESDAILE, *Chairman*.

Extract from the *Mirror of Parliament*, August 5, 1834.

London & Westminster Bank.

The Marquis of Bute: 'Considering the advanced period of the session, I am anxious to have the opinion of the noble Viscount, with reference to bringing forward the London & Westminster

Bank Bill, whether it is open for your Lordships to consider that Bill, in the construction of the existing Acts of Parliament.'

Viscount Melbourne: 'It certainly is open to your Lordship to consider that measure, but at the same time I must say that I consider the Bill is inconsistent with the rights and privileges of the Bank of England, and undoubtedly when it is brought forward I shall oppose it.'

The Marquis of Bute: 'Then the noble Lord opposes the Bill simply because he considers it inconsistent with the other Acts of Parliament, and on no other ground.'

Viscount Melbourne: 'Yes, certainly.'

Peel's final reply, which put an end to all hopes, was as follows:

Downing Street

March 7th 1835

Sir

It is not in my power to give a more clear, or more explicit answer than I have already given, to the communication which you addressed to me on the 11th February.

I do not intend to bring in any Bill which will have the effect of giving to the London and Westminster Bank the powers which the Bill of last Session, if passed into a Law, would have given it.

The opposition to that Bill, as I before observed, rested on an impression that its enactments were at variance with the spirit of Engagements made between the Bank of England, and the Government.

For the grounds on which that impression was entertained, I must beg leave to refer you to the Debate, and to the Arguments of those by whom that Opposition was offered.

I have the Honour to be

Sir,

Your most obedient Servant

Joseph Esdaile Esq^{re}

ROBERT PEEL

VI

All these efforts proved vain. In 1838, in consequence of the efforts of the Secret Committee on Joint Stock Banking, two Acts were passed: the first¹ of which allowed a

¹ 1 and 2 Vict., c. 96, continued by 3 and 4 Vict., c. 111.

company to sue and be sued by any of its members, and the second¹ of which regularized the position of companies with members of the clergy as partners. But it was not until 1844 that the abortive Act, which was originally intended to put the whole joint stock banking code upon a firm foundation, disposed of the matter. By section XLVII of 7 and 8 Vict., c. 113, '*An Act to regulate the Joint Stock Banks in England*', it was enacted, 'That after the passing of this Act every Company of more than Six Persons established on the said Sixth Day of *May* for the Purpose of carrying on the said Trade or Business of Bankers within the Distance of Sixty-five Miles from London, and not within the Provisions of this Act, shall have the same Powers and Privileges of suing and being sued in the Name of any one of the public Officers of such Copartnership as the nominal Plaintiff, Petitioner, or Defendant on behalf of such Copartnership; and that all Judgments, Decrees, and Orders made and obtained in any such Suit may be enforced in like Manner as is provided with respect to such Companies carrying on the said Trade or Business at any Place in England exceeding the Distance of Sixty-five Miles from London', under the provisions of previous Acts or complying with the same conditions.

PART II

'THE BANK OF ENGLAND

v. THE LONDON AND WESTMINSTER BANK'

ON 19th September 1834, the *Times* Money Market article contained the following reference to the meeting of the Court of Proprietors of the Bank of England held on the previous day:

The Bank meeting of to-day was a very harmonious one and highly satisfactory to all concerned. . . .

The presence of Sir James Scarlett, in his character of legal

¹ 4 and 5 Vict., c. 14.

adviser, added some interest to the meeting, as it appears that a point at issue between the Bank and the London and Westminster Bank bearing on the nature of the business which a joint-stock Bank of deposit in London may legally transact, is likely to be submitted to the decision of a court of law. In the case referred to, which was that of a bill drawn by the Bank of St. Alban's on the London and Westminster Bank, and accepted by the latter, Sir James Scarlett gave a very decided opinion, that an infraction of the Bank charter had been committed. Whether any proceedings are to be founded on it did not transpire at the meeting, but the general persuasion was that such is the intention, as there seemed otherwise no intelligible motive for bringing it before the Court of Proprietors. It will be quite worthy of the whole course pursued by the Bank towards the new establishment which has been marked throughout by a petty jealousy and meanness, from which the directors, if they really merited the trust reposed in them, would have abstained out of a regard to their own characters. No bank of deposit without the privilege of issuing notes could ever have become a formidable rival to them, and the only effect has been, what generally happens in such cases, that of giving greater importance to the establishment they take so much pains to depress and destroy. The temper of the meeting proved, however, which may console the directors for any odium that may attach to them elsewhere, perfect harmony to subsist between them and the proprietors on this subject.

The Directors of the London and Westminster Bank at once resolved to take measures to protect the bank against the threatened attack on its policy of accepting on behalf of customers. A special meeting was called on the day after the Bank Court had met: 'The Chairman stated that he had called the present meeting in consequence of what had passed yesterday at the quarterly Court of Proprietors of the Bank of England.'

After reading the opinion of Counsel on the legality of the bank's accepting bills of exchange, the Secretary was directed to have an advertisement containing the following paragraph inserted in certain of the morning and evening papers, and also in certain Sunday and country papers, viz:

The opposition which is shown to the Bank in no respect retards its progress in obtaining the daily accession of customers and deposits. The Directors are determined that in the London & Westminster Bank the Metropolis shall possess all the important advantages which Joint Stock Banks are calculated to afford; and, acting under the best legal advice, they will accept Bills of Exchange and transact all other Agency business for Banks or persons in the country.

Nothing further occurred for some months; but on 25th February 1835, a letter was read from the solicitors to the Bank of England, to which the solicitors of the bank were directed to reply. On 11th March 1835, 'Mr. Duncan, the Solicitor, reported the result of an interview with Counsel on the subject of the Bill in Equity' filed against the bank by the Bank of England. On 25th March 'Mr. Duncan reported proceedings regarding the Bill filed by the Bank of England'. On 15th April a special Committee was appointed by the London and Westminster Bank to deal with Counsel's draft reply to the Bank of England's Bill. It was not until October that anything of a very definite nature took place, but on 21st October 1835, 'Mr. Roy reported that he had yesterday an interview with Mr. Freshfield on the subject of the proceedings of the Bank of England in Chancery': and the Board resolved:

That Mr. Salomons be authorized and requested to confer with the Directors of the Bank of England on the subject, but without prejudice to either party.

That interview duly took place, though no mention is made in the bank's minutes of the course of the discussion: that it was unfavourable is clear from the terms of the letter which the Board on 4th November directed the bank's solicitors to send to the solicitors of the Bank of England.

The Board of Directors of the London & Westminster Bank having to-day been informed of the fact that the answer of the

Bank of England has not been filed, request us to state that their own answer having been sworn to in due time to the Bank of England's Bill by ten members of the Board, and the London and Westminster Bank's Bill having now remained unanswered for upwards of five months, during which time they have shown no disposition to press inconveniently on the Directors of the Bank of England, they must require the answer to be filed this week and sworn to by the four Defendants, otherwise they will be obliged in the ensuing week to make the ordinary application to the Court.¹

'The application on the part of the Governor and Company of the Bank of England for an injunction to restrain the defendants, the directors of the London and Westminster Bank, from a breach of their chartered privileges' finally came before the Master of the Rolls on 22nd March 1836. The *Times* report of the proceedings is admirably clear and precise:

Rolls Court,

The Bank of England

Tuesday, March 22.

v.

The London and Westminster Bank.

This was an application on the part of the Governor and Company of the Bank of England for an injunction to restrain the defendants, the directors of the London and Westminster Bank, from a breach of their chartered privileges.

Sir F. Pollock and Mr. Wigram, with Messrs Phillimore and Richards, supported the application; and the Attorney-General, Sir W. Follett, Mr. Pemberton, and others, appeared to oppose it.

The circumstances of the case, as far as they have hitherto been discussed, appear to be confined to the following point; viz.—the fact of an acceptance of a bill of exchange by the directors of the London and Westminster Bank, drawn upon them by Mr. Muskett, a banker, at St. Alban's, Herts, as his London agents; and which bill of exchange, being at a shorter date than six months, the directors of the Bank of England contend is a sufficient violation of the privileges of that chartered body to bring the defendants within the operation of the prohibitory statutes

¹ Board Minutes, p. 266.

which, from the original incorporation of the Bank of England, in the reign of William and Mary, down to the present day, have been in existence against such attempted violations. The Directors of the Bank of England, upon discovering that such transactions were going on, communicated with the Directors of the London and Westminster Bank through their solicitor, Mr. Freshfield, and intimated their intention, unless they were desisted from, of instituting legal proceedings for the enforcement of their privileges. The reply of Mr. Gilbart, on behalf of the defendants, to this communication was, that the Directors of the London and Westminster Bank fully admitted that they had been in the habit of accepting such bills of exchange as the one in question in this case; that in so doing they did not consider they were trespassing upon the privileges of the Bank of England; that they should still continue to pursue the same course of proceeding; and that any further communications upon the subject must be made to their solicitor. The result of this correspondence was an application to this Court, *ex parte*, in March, 1835. Mr. Freshfield's communication was dated the 23d of the preceding month, and Mr. Gilbart's reply on the 25th. The first advertisement of the London and Westminster Bank was on the 21st of February, 1835, two days previously to Mr. Freshfield's letter. It is material to mention these dates, as it was necessary to maintain that no delay had taken place as to the motion for the injunction. The arguments of the learned counsel for the application tended to show that the Bank of England possessed an undoubted right to the privileges it claimed; and that there never had been a doubt in the minds of professional men as to the construction of the act of Parliament by which those privileges were secured. As, however, that consideration of those privileges in the present instance was confined to the facts connected with the bill of exchange drawn by the St. Alban's banker upon the London and Westminster Bank, and accepted by them, his Lordship interrupted the learned gentlemen for the purpose of expressing his opinion that the points relative to the acceptance of that bill of exchange within a given period were points of law, and not of equity, and ought to be decided by a court of common law. His Lordship, however, allowed the counsel for the application to conclude their arguments, and then delivered his opinion as follows:—There was no doubt that this was a case of the greatest

importance to the Bank of England, to the London and Westminster Bank, and also to the public. The question before the Court was upon the construction of an act of Parliament with reference to an admitted fact, and parties were before the Court, applying for an injunction upon the grounds of that act. Undoubtedly there were many cases in which the Court might think proper to decide a mere legal right; but whether it might do so or not would depend, not only upon the importance of those cases, but also on the question whether greater or less mischief would follow by its refusal to interfere by this sort of short-hand proceeding. Now, in this case, he should wish to have the authority of a court of law as to the legal question, with reference to the bill of exchange. After hearing the whole of the arguments in support of the application, it did not appear to be one of a very pressing nature; and if he could positively ascertain that the legal case could be decided in the course of next term, he would order the motion to stand over, for the purpose of having the benefit of the legal decision, until the last day of next term.

This arrangement was, after some discussion, agreed upon, and the motion, therefore, is postponed until after the decision of the Court of Common Pleas (to which Court it is to be referred) shall have been obtained.

The case excited great interest, and many persons of commercial consequence were in court during the hearing.

Until the state of the law had been cleared up, since the application of the Bank of England had been refused, it was open to the London and Westminster Bank to continue to accept. It was not until the beginning of 1837 that the whole subject came before the Courts again.

The case of '*The Governor and Company of the Bank of England v. Anderson and Others*'¹ was heard in the early part of January and judgment was delivered by the Lord Chief Justice on 13th January. From the legal point of view, the Court of Common Pleas was asked by the Master of the

¹ Reported 3 BING (N.C.) 590: 132 English Reports at p. 538 *et seq.* v. also *Times*, 14/1/1837.

Rolls to decide the following question (the facts not being in dispute):

Whether the acceptance, by the London and Westminster Bank, of the said bill, [i.e. a bill for £25 drawn by the Bank of Saint Albans to the order of W. J. Robertson and payable at 21 days after date, accepted by J. W. Gilbert per procuration of the trustees of the London and Westminster Bank] was lawful; having regard to the provisions of the Act 3 and 4 William 4 c. 98 and other Acts passed and now in force, respecting the Bank of England.

The narrower point contained within this general question was, whether or not the London and Westminster Bank, in thus accepting a bill, violated the third section of the statute 3 and 4 William IV, c. 98, the section in question enacting that 'any Body Politic or Corporate, or Society, or Company, or Partnership, although consisting of more than Six Persons, may carry on the Trade or Business of Banking in London, or within Sixty-five Miles thereof, provided that such Body Politic, [etc.,] do not borrow, owe, or take up in England any Sum or Sums of Money on their Bills or Notes payable on Demand, or at any less Time than Six Months from the borrowing thereof'.

The arguments of Counsel on behalf of the London and Westminster Bank are so clearly stated in the judgment delivered by Tindal, Lord Chief Justice, that it is not necessary to do more than reproduce the admirable summary of the *Times*:

The Lord Chief Justice said, that this was a case of so much importance to the public at large, that the Court would deviate from the usual course pursued in cases where a court of equity sent a question to the judges of this court for their opinion, and in addition to certifying their opinion on the question, they would state also the reasons on which such opinion was founded. The question for the consideration of the Court was, whether or not a partnership consisting of more than six persons, carrying on the business or trade of bankers within 65 miles of London, could lawfully in the course of their business as bankers accept a bill of

exchange, payable on demand, or within a less period than six months? The Court were of opinion that such an acceptance was unlawful. The Court inserted in the case the words 'in the course of their business as bankers', because they were unwilling to embarrass the question by discussing the legal effect of a transaction where a corporation or partnership of more than six persons not carrying on the business of bankers gave an acceptance payable within the above period, or where a partnership of more than six persons carrying on business as bankers gave such an acceptance, but not in the course of their business as bankers, as, for instance, in payment of a debt. His Lordship having stated that the question before the Court arose upon the construction of the 3rd and 4th of William IV, cap. 98, sec. 3, proceeded to take a review of the provisions of the various bank acts which had been passed from time to time, from the 5th and 6th of William & Mary, cap. 20, by which the Bank of England was originally constituted a corporation, down to the present reign, in order to show what was the intention of the Legislature as to the extent of the privileges meant to be conferred upon it. Three points had been contended on the part of the defendants — 1st, that the word 'bills' in the act of Parliament meant scaled bills, and not bills of exchange; 2nd, that there was no 'borrowing' here within the meaning of the act; and 3rd, that if there was a borrowing it was not a borrowing on the defendant's bill. With respect to the 1st of these objections his Lordship referred to the 6th of Anne, c. 22, from which the provisions of the present act were borrowed, and also to several intermediate acts passed *in pari materia* to show from various provisions contained in those acts that the Legislature clearly considered that the word 'bills', in the act of Anne, meant negotiable bills of exchange. Upon the second point, the Court were satisfied that there was a 'borrowing' here within the meaning of the act, because the customer lent his money on the faith of the acceptance; and the words 'owe or take up' which were used in apposition to the word 'borrow' furnished additional evidence that such was the meaning of the word. Then, as to the third point, it was clear that if the bankers borrowed the amount at all, they borrowed it on their acceptance; they owed the money to the holder as much as the drawer did; and in fact were the parties primarily liable. After some further observations illustrative of this view of the case, his Lordship remarked, that were a contrary doctrine to prevail, bills of short date might be issued to any amount by bankers in

London, and thus a paper circulation be created which would enable other large bodies to enter into competition with the Bank of England, and so render their supposed privileges in this respect purely nominal, although both the Bank and the Legislature, the two contracting parties, supposed that they were treating of real privileges. Another argument in favour of the view taken of the question by the Court was supplied by the fact that this was the first instance in which an opposite one had ever been suggested, which showed that the universal understanding was in accordance with the opinion entertained by the Court. For these reasons their Lordships would certify as above.¹

The Attorney-General, on behalf of the defendants, thanked the Court for their kindness in taking the trouble to state the reasons on which they founded their opinion.

On the 18th of the month, the London and Westminster Bank was informed by the solicitors to the Bank of England, 'of an intention to move in the Rolls Court to-morrow for an Injunction'. Counsel was again instructed: Mr. Pemberton duly applied for the injunction and the request came up for hearing before the Master of the Rolls towards the end of January.² Judgment was delivered by Lord Langdale in April: the result was a victory for the Bank of England.

There follows the *Times* summary of Lord Langdale's judgment:

Lord Langdale after a résumé of the facts of the case said, if the acceptance of Mr. Muskett were illegal, the plaintiffs were entitled to be protected by the grant of an injunction from this Court restraining the defendants from repeating such illegality; but if the illegality of the acceptance depended not merely on the

¹ 'We have heard this case argued by counsel, and are of opinion that the acceptance by the London and Westminster Bank, of the bill mentioned in the case, was not lawful, regard being had to the provisions of the act 3 and 4, W. IV, c. 98 and the other acts passed and now in force respecting the Bank of England.'

N. C. TINDAL J. VAUGHAN
S. GASELÉE J. B. BOSANQUET
132 English Reports at p. 567.

² *Times*, 20th, 23rd, 24th, 25th January; 20th April 1837.

fact of acceptance but in some degree on the nature of the transactions, the injunction ought not to extend to all circumstances under which the defendants might owe money, but only to those acceptances so affected by the nature of the transaction. The plaintiffs chiefly relied upon the last Bank act 3 and 4 Wm. IV c. 98, and contended that under it a partnership in London, consisting of more than six persons, could not legally give an acceptance payable at less than six months after date. The 2nd section of that act allowed partnerships of more than six persons at a greater distance than 65 miles from London to issue notes payable on demand, but the 3rd section was that on which the question principally depended. The words 'bills or notes' in that section, meant the same sort of bills or notes mentioned in the 2nd section, viz. bills of exchange and promissory notes. The London & Westminster Bank was a partnership consisting of more than six persons, and were the London bankers of Mr. Muskett, to whom they owed in February, 1825, upwards of £25, for which Mr. Muskett drew on them a bill of exchange payable in 21 days, to the order of Mr. Robertson. When it was accepted, the defendants owed the money upon the bill, which was the evidence of their liability to pay it. It could not be said that they were indebted in the same manner to Mr. Muskett after the acceptance as before. The words 'from the borrowing thereof' did not appear to him to occasion any material difficulty. It had been contended that the distinction had not been sufficiently attended to in the court of common law between banks of issue and banks of deposit; that arguments had been applied to the defendants, who carried on a bank of deposit, which were only applicable to banks of issue; and that to accept bills was part of the business of a bank of deposit, and could not produce the mischiefs guarded against by the bank acts. It did not however appear to him (Lord Langdale) that the learned judges had been mistaken in their view. The Legislature had two objects—to protect the Bank of England, and to permit banks of deposit to be carried on. The statute of 6th Anne first contained the words under which the Bank claimed. He was not of opinion that he was to look at that statute without regarding the subsequent series of acts and their construction. What he was to endeavour to do was to find out the true construction of the 3rd and 4th of William IV c. 98, upon which the question so mainly depended, and it was natural to consider that the same words would have the same effect as was attributed to them by the 7th of George IV.

His Lordship then went through the various Bank acts, and said he concurred with the opinion of the Court of Common Pleas, although by it many questions were not decided, which indeed could not be decided in that suit. Taking it to be unlawful for the London & Westminster Bank to accept bills of exchange payable on demand, or at less than six months after date, his Lordship thought that the defendants had done so, and that they claimed a right to do so; and therefore he was of opinion that the plaintiffs were entitled to an injunction to restrain them from doing so in future. He did not think it necessary to grant a more extensive injunction; but his order was that an injunction be granted to restrain the defendants and the clerks, agents and servants of the Company of the London & Westminster Bank, in the course of their trade and business as bankers, from issuing and accepting bills payable on demand, or at less than 6 months from the time of their acceptance.

The possibility of an appeal to the House of Lords was at once raised by Counsel, the Master of the Rolls intimating that 'the case was of such importance that if taken to the House of Lords he would do all in his power to have it heard this session'. On the same day as the Court proceedings, it was resolved by the Board of Directors 'that it is expedient to appeal against the judgment of the Master of the Rolls, and that Mr. Roy be directed to take steps for entering an appeal after consultation with Counsel'. At the same time, it was decided 'That letters be written to the Country Customers of the Bank who are in the habit of drawing upon us, to inform them that the Master of the Rolls having intimated that the injunction might be suspended pending an appeal to the Lord Chancellor or the House of Lords, and the Directors having resolved on entering an appeal, they may continue to draw upon us as heretofore until further notice.'¹

At the beginning of May, the Board of Directors was taking up a somewhat less defiant tone: at a Board meeting Mr. Duncan reported the result of a consultation with

¹ Board Minutes, p. 379.

Counsel 'and that the result of the Conference was that the Counsel could give no opinion as to the chance of success of an appeal to the House of Lords—that Sir W. Follet's opinion remained the same as to the Acts of Parliament being in favor of the London & Westminster Bank—that he believed Sir John Campbell's opinion to be the same—that he could not state what course the Master of the Rolls might be disposed to pursue, in event of a House of Agency accepting under an arrangement with the London & Westminster Bank, as to considering the acceptance by such Agent within the terms of his Injunction, but that he [Counsel] viewed the Acceptance of such House of Agency as materially different from a direct Acceptance by the London and Westminster Bank itself, the party taking such Acceptance having no legal right upon the London & Westminster Bank'. The Board again decided to fight the appeal.

A week later an injunction was served upon the Directors and 'its operation had been suspended on application to the Master of the Rolls himself, who had fixed Friday next [12th May] for hearing our application for suspending the Injunction till the appeal to the House of Lords is decided'. On the Friday, the injunction was suspended on the 'Defendants undertaking to present petition of Appeal on Monday, and not to accept for any new Correspondents, and to make arrangements with Correspondents to cease accepting on the 1st August'.¹ The solicitors of the London and Westminster Bank were instructed at the next Board Meeting (17th May) to prepare a letter to the correspondents of the bank 'informing them of the intention of the Directors to discontinue acceptance on the 1st August'.

A correspondence with the solicitors of the Bank of England ensued, and Gilbert made a tour of the country, in which he was successful, as the bank's minutes record,

¹ Board Minutes, p. 383.

‘in inducing the country banks to draw their bills without acceptance’. There the matter was allowed to rest: the appeal to the House of Lords was allowed to drop. The state of the law remained unchanged until 1844: in that year, by section XXVI of the Bank Act [7 & 8 Vict. 32], it was enacted that:

From and after the passing of this Act it shall be lawful for any Society or Company or any Persons in Partnership, though exceeding Six in Number, carrying on the Business of Banking in London, or within Sixty-five Miles thereof, to draw, accept, or endorse Bills of Exchange, not being payable to Bearer on Demand, anything in the herein-before recited Act passed in the Fourth Year of the Reign of His said Majesty King William the Fourth, or in any other Act, to the contrary notwithstanding.

PART III

THE DRAWING ACCOUNT AT THE BANK OF ENGLAND

By the time of the opening of the London and Westminster Bank it had become habitual for London bankers to possess accounts at the Bank of England¹ and, as was pointed out in a previous chapter, the Bank of England was even entering into arrangements with provincial banks, both private and joint stock, to discount bills for them at fixed rates provided that Bank of England notes were circulated. The possession of such an account facilitated the use of the Bank of England’s remittance system; it would be of obvious convenience in inter-bank dealings, and it economized the amount of cash required to be held, besides being an element of prestige. It is not surprising, therefore, that at a very early date application should be made to the Bank: a request to this effect was

¹ G. C. Glyn before the *Secret Committee on the Bank of England Charter*, 1832, Q. 2880.

sent by Gilbert¹ on 2nd April 1834, to be refused upon the next day.²

This decision roused the indignation, not only of the London and Westminster Bank Directors, but also of the Press. One of the communications addressed to Lord Althorp on the subject of the proposed London and Westminster Bank Bill begins by setting out the grievances of the London and Westminster Bank on the subject of the drawing account. Opposition from the private bankers of London was to be expected:

The Directors, however, have encountered an opposition in another quarter, which on grounds of public policy, they consider it their duty to submit to your Lordship, and to H.M. Government: the Bank of England has denied to the London and Westminster Bank the usual facility of opening a drawing account.

It is apprehended that this exercise of authority, which refuses to our Bank the notes of the Bank of England, is beyond the spirit of the trust given to that Body, whose exclusive privilege of issuing notes was not given for the mere purpose of private emoluments, or of individual competition, but was conferred by the Government for the ends of public convenience. This remark falls with double force when it is recollected that in July next, the notes of the Bank of England will become a legal tender, or, in other words, the coin of the Realm.

The Bank of England, moreover, in consequence of being provided with a military guard, is intended to be open to all as a place of security for specie and other valuable property—which is one of the objects desired in opening the account. Having made this statement of the conduct pursued by the Bank of England towards the London and Westminster Bank, we feel that no

¹ 'At the desire of the Directors of the London and Westminster Bank I have to request that Messrs Samuel Anderson, Henry Bosanquet, Frederick Burmester, Charles Gibbes, and Henry Harvey, may be permitted to open a drawing account at the Bank of England.'

² 'I am desired to acknowledge the receipt of your letter of the 2nd instant, and to acquaint you that the Court of Directors decline to accede to the application therein on behalf of the London and Westminster Bank.'

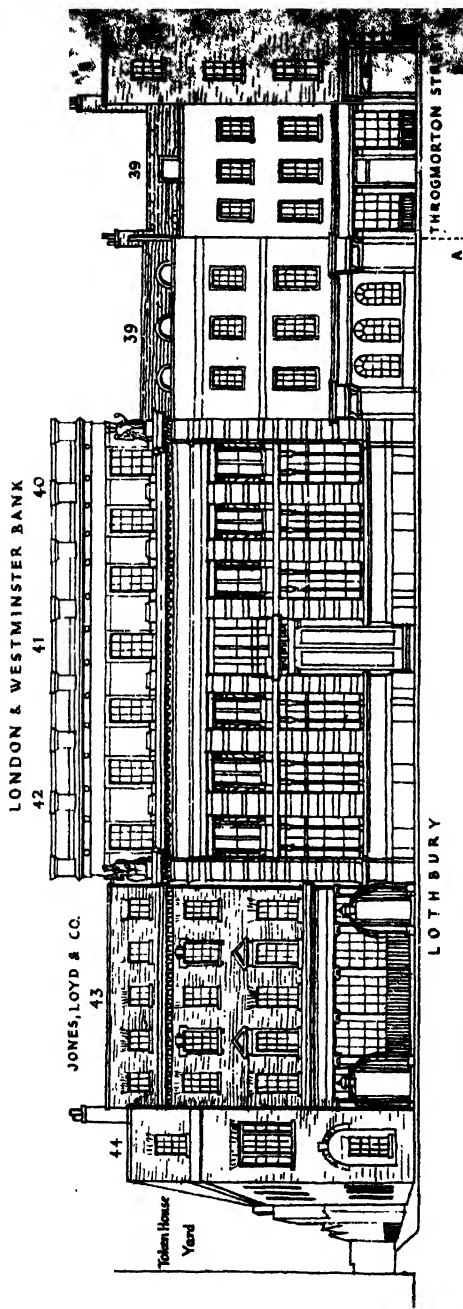
comment of ours is necessary, in order to force it upon the consideration of Government.¹

The *Times* was emphatic in its condemnation of 'such a specimen of arbitrary power exercised from such unworthy motives', its Money Market article of 17th April 1834 containing the following comment:

Such is the hostility shown by the Bank of England to the new banking companies now beginning to do business, that in the case of the London and Westminster Bank a refusal has been given to open any account, either in the names of the trustees, or even with any of the directors individually, without any official character having been given to them. This is a matter in itself perhaps of little public importance, but as a specimen of the use made by the Bank of the so-recently granted privileges, it is not to pass unnoticed. That such powers should be converted into the means of gratifying private pique and hostility, is to furnish the strongest argument possible against their being placed in such hands, and the sort of scrutiny that must take place before the Bank can be satisfied that the account proposed to be opened is really for an individual or for other parties whom he represents, is unworthy not only of men filling a high public trust, but of men of character. What is asked is simply the safe custody of notes issued by themselves, and this they refuse, because they believe or suspect that the notes belong to a rival establishment! The monied interest will not fail to draw their own conclusion, nor will it, it is to be hoped, be lost on the Government, from such a specimen of arbitrary power exercised from such unworthy motives.

After this rebuff, the matter was allowed to rest for some years. On 9th December 1839 the Bank was again approached, when the London and Westminster Bank wrote to the Governor of the Bank of England in the following terms: 'The Directors of the London and Westminster Bank being desirous of having a drawing account at the Bank of England, similar to that granted to other London bankers, I have the honor to request that they may receive your permission to open such an account.' This time the reply, though delayed, was

¹ Letter dated 18th April 1834.



RECONSTRUCTION OF THE LOTHBURY FRONT AS AT THE END OF 1838

The central building is the new Head Office of the London and Westminster Bank, designed by Messrs C. R. Cockrell and W. Tite, and opened on 26th December 1838. This was extended eastward in 1867, in the same style, as far as the old entrance passage to No. 38, and remained thus until demolished in 1928 to make room for the present building. To the left is the front of Jones Loyd's Office, as rebuilt by them c. 1808; this was again rebuilt by them in 1857, when No. 44 was absorbed.

A. Entrance to Bank Chambers (Whalebone Court). B. Entrance to No. 38, behind: the original Head Office of the London and Westminster Bank.

favourable. Under the date of 24th December 1839, the Secretary to the Bank of England replied to David Salomons, the Chairman, that 'The Court of Directors having had under their consideration your letter of the 9th inst., requesting that "the London and Westminster Bank may have a Drawing Account at the Bank of England *similar to that granted to other London Bankers*", I am desirous to acquaint you, that the Bank of England is willing to open a Drawing Account for the receipt of Bank Notes and Cash, and the payment of the same by the Drafts of the London & Westminster Bank'.

This communication should have decided the matter of principle, but it is evident from surviving correspondence that the Bank of England was still doubtful about the details. Among the records of the Westminster Bank is the unsigned copy of a letter, dated 'Shorters Court, January 3, 1840', and addressed to the Governor of the Bank. It is fairly clear that this must have been written by the Chairman of the London and Westminster Bank and its tone reflects very obviously the state of semi-suspicion which still prevailed in the Bank Parlour, as well as the irritation of the Directorate in Lothbury:

Private

Shorters Court

Jany 3/40

Dear Sir John,¹

Referring to the conversation I had the honor to hold yesterday with yourself and the Deputy Governor, I will endeavour briefly to reduce my case to writing: The London and Westminster Bank can only require what in due course is usually granted to London Bankers. There can be no hesitation on their part to declare, that they neither expect nor desire, short Bills received nor Acceptances paid by the Bank of England. They however do expect to be placed on the same footing as other London Bankers in the transmission of money from or to their Account at the Bank of England and any of its Branches. I will

¹ Sir John Rae Reid, Governor of the Bank of England, 1839-1841.

not repeat the arguments I yesterday urged on this subject, because I will not needlessly occupy your time, but briefly leaving this affair to the exercise of your good judgment, I can only add my anxious desire for a successful termination of the attempts on my part to arrange points of difference which, involving no principles, are a constant source of irritation, and exhibit the Bank of England in the unfavourable position of capriciously exercising those privileges with which she has been entrusted for the convenience of the trading interests of the Empire.

Agreement, in the end, proved to be impossible. Giving evidence on 26th March 1841 before the Select Committee on Banks of Issue, Gilbert, in reply to the query whether the London and Westminster Bank possessed a drawing account at the Bank of England, said, 'No, we have no drawing account with the Bank of England; we applied for one soon after our bank was opened, but it was refused; but we had an intimation a little while ago, that if we thought proper to apply again, we might have one; we accordingly did apply, and an account was offered us, but subject to restrictions to which we understood other bankers were not subject, that is, that we should not remit money to and from the branches; and as we did not think proper to accept an account subject to restrictions to which other bankers were not subject, the correspondence dropped, and we did not take the account.'¹

The records of the Bank of England confirm this account. Alderman Salomons' letter of 3rd January 1840 'was duly considered at a Court of Directors held at the Bank on 9th January, when it was resolved that the request contained in the letter could not be complied with'.

The whole issue remained in abeyance for two years: the minutes of the London and Westminster Bank on 12th January 1842 record that 'the Chairman reported that the Bank of England had consented to open a Drawing Account with this Bank, but the Board deferred coming

¹ Q. 1307.

to any resolution thereon until next week'. A week later, on 19th January, the minutes record the following:

Read a letter from the Manager on the subject of the Drawing Account to be opened with the Bank of England. Ordered that it be proposed to open the Account in the names of all the Directors, and that a Power of Attorney be given to authorize

The Manager MR. GILBART

„ MR. HENDERSON

The Secretary MR. NEALE

to draw Cheques conjointly, or any two separately, and that the signature of any Director shall be authority for the payment of any cheque signed by him and by him and by any one of the above named Officers.

The records of the Bank of England show that on the next day the London and Westminster Bank renewed the request for a drawing account, and at a Court of Directors a week later the opening of an account 'for the receipt of Bank Notes and Cash and the payment of the same by the drafts only of the London and Westminster Bank' was duly authorized. In the end, the account was opened on 15th February 1842. The two following entries in the minute book of the London and Westminster Bank conclude the story:

[2nd February 1842] Read a letter from the Bank of England whereupon it was resolved that the Account to be opened with the Bank, be opened in the names of the Trustees of this Company.

[16th February 1842] The Chairman reported that an Account was opened at the Bank of England on the 15th instant.

PART IV

ADMITTANCE TO THE CLEARING HOUSE

ON 18th February 1834, the General Manager addressed the following letter to Lewis Loyd, the Chairman of the Committee of Bankers: 'I am desired by the Directors of

the London and Westminster Bank to acquaint you that they will commence business at their House, No. 39, Throgmorton Street, on or about Monday the 3rd of March next, and to ask permission to send a Clerk to the Clearing House in the ordinary way.' A week later, a refusal was returned. Under date of 24th February 1834, the Chairman of the Committee of Bankers replied that he had 'laid before the Committee of Bankers your letter of the 18th inst., requesting permission on the part of the Directors to send a Clerk to the Clearing House in the ordinary way, and in reply I am desired to acquaint you that the Committee decline complying with such a request under the consideration that the Clearing House is intended exclusively for the accommodation of private Bankers'.

The refusal aroused the indignation of the *Times* which, in its Money Market article of 12th March, commented as follows:

The commencement of business by the London and Westminster Bank has brought them into collision with the private bankers of the city, who refuse to allow to the new establishment a participation in the advantages of the clearing-house. The reason assigned is, that this is altogether a private arrangement for the personal convenience of the bankers; that no public bank, not the Bank of England itself, has been admitted into it; and that they hold the right of determining who shall and who shall not avail themselves of it. This would be unanswerable, if it were shown at the same time that the course taken has been decided upon practice and precedent merely, without any mixture of hostility to the new establishment, in which case it would not appear to be a very dignified proceeding on the part of this wealthy and important body, who would find their own convenience consulted by the admission of the new bank to the clearing-house, which could neither add to nor diminish its influence, nor make its rivalry in any respect more formidable.

Next day, the *Times* was forced to modify its attack upon the private bankers. The exclusion of the Bank of England was due to the attitude of the Bank itself: 'It is

the Bank itself which declines being a party to it. Hence it is argued, there being no other public bank of deposit in London, no precedent exists which can be referred to . . . It is not generally supposed that the exclusion will be persevered in, and it is a question which, after all, must ultimately be decided by mutual convenience, and on that ground alone.'

But it was to take just twenty years for the question to be decided. For two years the London and Westminster Bank left the question alone. On 23rd June 1836 it addressed the following letter to the Secretary of the Bankers' Committee, Mr. John Masterman:

*John Masterman, Esq.,
Secretary of the Bankers' Committee.*

23rd June, 1836.

Sir,

The Directors of the London and Westminster Bank are desirous of renewing their application to the Bankers' Committee for admission to the Clearing House.

Their last application was made previous to the opening of the Bank when the principles of the establishment were but imperfectly understood, and its mode of government necessarily unknown.

The Bank has now been open above two years, and the Directors have only to refer to the nature and extent of the business of the Bank and the estimation in which it is held by the public as sufficient evidence that they have been guided by the same prudent principles which have governed other Banking Establishments.

The Directors presume that no refusal of their present application can be grounded on the character or credit of the London and Westminster Bank.

They are authorized to say this much on the strength of their proprietary now amounting to upwards of 800, including some of the wealthiest and most respectable persons in the Kingdom, and also on the amount of their paid up capital which exceeds £600,000 in full and active employment. Their numerous connexions in London, and the agencies they have undertaken from many of the most influential and well conducted Joint Stock Banks in the country are such as to render it a duty incumbent on the Directors once more to make this application as a matter of convenience to the public.

The Directors will cheerfully contribute their proportion of the expense of the clearing establishment and comply readily with all the regulations adopted for its government.

Although the Directors would be gratified in being associated with the other London Bankers, yet they repeat that they seek this arrangement not solely as a convenience to this establishment but as a matter of accommodation to the great body of persons engaged in monetary transactions.

The Directors will feel obliged by your laying this application before the Committee as soon as convenient and favouring me with an early reply.

I have the honour to be

Sir,

Your most obedient Servt,

J. W. GILBART

General Manager

But the new application met no warmer welcome than its predecessor, for at the following Board meeting a letter from the Bankers' Committee was read announcing that the request had been refused.

Henceforward the bank—or rather, its General Manager—instead of appealing to the Clearing Bankers, endeavoured to undermine their position by attempting the creation of a Second Clearing House. The *Times* of 6th November 1840 contained a 'plan' for establishing a new Clearing House, which in all probability was inspired by Gilbert himself.¹ At any rate he circulated the plan amongst the other joint stock bankers of London and an interesting correspondence resulted. As throwing light upon the attitude of other London bankers, the letters are reprinted here:

LONDON & COUNTY JOINT STOCK BANK,

71, Lombard Street, London.

9 November, 1840.

Dear Sir,

In reply to your letter on the proposed plan of establishing a Clearing House for the Joint Stock Banks as propounded in the

¹ *v.* Appendix I to this chapter, p. 175.

Times of the 6 inst., I am candid to confess that I have not sufficient experience of the working of the system to offer an opinion which would be at all useful to you, who are so well informed upon all the points connected with it. I think however that the circumstance of the Joint Stock Banks commencing the plan of clearing with each other would have a good effect prospectively as it would shew a unity of purpose amongst them and might induce a portion of the Private Bankers to act with them. I beg to say that the Directors of this Bank would gladly co-operate in any measures which might be thought advisable to further the object in question.

I remain,
Yours faithfully and obediently,

THOMAS DIGHTON

BOROUGH OF ST. MARY-LE-BONE BANK,
London.

Dear Sir,

11 November, 1840

You should well consider, whether by attempting to form a new Clearing House, the Joint Stock Banks may not permanently exclude themselves from the present one, into which they must be admitted in a year or two. Unless Glyn, Barclay, Williams, Smith, and one or two more of the great Banks will join the new one, I fear it would not be of much use.

I am, dear Sir,
Yours sincerely,

J. W. Gilbart, Esq.

DAVID HANNAY

METROPOLITAN BANK,
4, Pall Mall East,

Private

London.

7 November, 1840

My dear Sir,

I am favored with your private letter of 6th inst. As a general measure the establishment of another Clearing House seems most desirable, but my limited experience in London would render any opinion of mine as to details of no value whatever, nor am I certain whether it might or might not be advantageous

for us to clear. I think however our Directors would not object to contribute towards the preliminary expenses incident to making the experiment.

I am, My dear Sir,
Very truly Yours,

J. W. Gilbert, Esq.

ALEX. WIGHT

COMMERCIAL BANK OF LONDON,

6 Nov., 1840.

Dear Sir,

The plan published in the *Times* is written I conceive as much for the 'Public' as for the profession and how far it may be carried into practice I can scarcely say.

I think that if attempted at all it must be confined to the Joint Stock Banks alone for I fear that if some and not the greater portion of the Private Bankers were to come in greater inconvenience and expense would be produced than by the present mode. We should then labor under the same disadvantage that the private Bankers now do, viz. have to pay away our Bank Notes upon Drafts paid in on Bankers who cleared with us.

The only course I see that would be advantageous at present is for the Joint Stock Banks to send out their charges upon each other as usual and instead of receiving Bank Notes across the counter give an official Memorandum (to be signed by the Cashier or if you please by a superior Officer) stating the No. of the Articles and the amount of each Charge 'to be settled for in the Clearing' or after $\frac{1}{2}$ p. 4 o'clk and the right of returning Drafts or Bills to be in force up to that time. We should then have only the Balance due to each other to pay or as it is a great object to economize the use of Bank Notes we might go further, have some plan of unity and only pay or receive the Balance (as in the present Clearing) due on the whole exchange (or '*to the House*').

Your Branches could give Memorandums on the Head Office.

Should you wish to see me on this subject I shall be most happy to wait upon you at any hour you please to name. I think if any plan can be arranged it will be well if possible to commence acting upon it with the beginning of the New Year.

I remain, dear Sir,

Your most obedient servant,

A. R. CUTBILL

Some such plan as the one I propose has one advantage—it could readily and easily be carried into execution.

J. W. Gilbert, Esq.

UNION BANK OF LONDON,
8, Moorgate Street,
London.

6 Nov., 1840

Dear Sir,

The principal objection that occurred to me to the plan propounded in the *Times* to which you allude, was making the hour in the afternoon $\frac{1}{2}$ p. 4 o'clk. I have long been of opinion that the Banking of London would be better conducted were the hours from 10 to 4 o'clk, and am therefore very unwilling to come into anything that would lead to an extension of the already injudiciously laborious hours of application of the Banking World. With this exception the plan seems to me desirable, at least, as a beginning of a better system, and if a few of the Private Bankers were to join I think we should shortly beat them at their own weapons.

I am, dear Sir,

Most faithfully yours,

Jas Wm Gilbert, Esq.

W. W. SCRIMGEOUR

This effort also came to nothing. It was revived in 1848 when 'the London and Westminster Bank proposed the institution of a daily clearing between the Bank of England, the Joint Stock Banks, and such Private Banks as chose to join, but the Chief Cashier [of the Bank of England] was opposed to the suggestion, and the Directors considered that "it would be requisite that an entire agreement should exist between the several Private and Joint Stock Banks upon the subject of clearing before the Bank can entertain the question of its own co-operation".¹

Victory was at last achieved, again under pressure, in 1854. On 9th March 1854 'the Committee of Private

¹ Acres, *The Bank of England from within*. Vol. II, pp. 533-534, and Appendix II to this chapter, p. 178.

Bankers . . . negatived by a majority of 13 to 10 a proposition to effect that object. As in June last only two voted in favour of the concession, it is evident that the question is rapidly hastening to the long-desired solution that would be most creditable to the bankers and advantageous to the public'.¹ In its June 1854 number, the *Bankers' Magazine* reported that 'It has been arranged that the joint-stock banks of London shall, from and after the 24th June next, be entitled to the facilities afforded by the Clearing-house, and preparations are being made accordingly'.² Finally, in its July number, the journal recorded that 'The admission of the London Joint-Stock Banks to the clearing house has at length been accomplished, the London and Westminster taking precedence, and having been followed by the London Joint-Stock, the Union Bank of London, the London and County, and the Commercial of London. The Royal British Bank, it is understood, will be admitted in the course of a few days. This arrangement has been found necessary to avoid pressure upon the temporary accommodation possessed at the Hall of Commerce, while the old Clearing-house in Abchurch-lane is undergoing enlargement'.³

At the half-yearly meeting of the proprietors of the London and Westminster Bank, the satisfactory conclusion of the contest was referred to by the Chairman, Mr. J. L. Ricardo, M.P.: 'Among the subjects for congratulation was the admission of joint-stock banks to the benefits of the Clearing House; one of their own body, Mr. Alderman Salomons, having been the main instrument in overcoming the obstacles previously interposed to the attainment of that end'.⁴

¹ *Bankers' Magazine*, 1854, p. 192. ² *Op. cit.*, p. 326.

³ *Op. cit.*, p. 384. ⁴ *Op. cit.*, p. 469.

APPENDIX I

Among the Westminster Bank papers are two documents relating to the 'plan' for an independent Clearing House—the proposed rules, and a covering memorandum. No. I is the 'plan', as recorded also in the *Times* of 6th November 1840. No. II was the memorandum, evidently circulated therewith.

No. I

Attention has frequently been drawn to the exclusion from the clearing-house of the joint-stock banks, which, while it was an impediment to their operations, caused some inconvenience to the public, and many efforts have been made from time to time to bring the private bankers and the joint-stock banks to a better accord in this respect, but hitherto without any effect. As the joint-stocks are increasing in number and power, the idea has suggested itself to them of forming a separate clearing-house of their own. No arrangement has yet been formed for that purpose, but the following paper has been prepared as the mode of proceeding likely to answer the views of the joint-stock banks:¹

RULES OF THE NEW CLEARING HOUSE

1. Any Joint Stock Bank—Private Bank or the Bank of England may send a Clerk to the New Clearing House.
2. The times of meeting shall if possible be different from the time of meeting at the Old Clearing House so that the same clerk may attend both—say the morning meeting at eleven—and the afternoon at half-past four—the money to be paid at a quarter past five.
3. Those Banks that have branches may or may not pay through the New Clearing House the cheques drawn on their branches as may be arranged. It seems most advisable that all branch cheques should be received at the morning Clearing but not at the afternoon.
4. As soon as the clearing Banks amount to ten—a committee of five shall be chosen for the government of the New

¹ This passage is not included in the document as circulated.

Clearing House and the rules shall be the same as the rules of the Old Clearing House or as near as circumstances will admit.

The following are the advantages of the proposed plan:

1. The Joint Stock Banks will clear among themselves (as well as with such private Banks as may be disposed to join them) and thus have all the advantages of the Clearing House so far as regards their transactions with each other.
2. Any private Bank that wishes to clear with the Joint Stock Banks may do so without relinquishing his present position in the Old Clearing House—although the Committee of private Bankers are against the admission of the Joint Stock Banks into the Old Clearing House it is believed that many of the bankers themselves are otherwise disposed—these bankers might thus avail themselves of all the advantages of both the Old Clearing House and the new one.
3. It is said that the Bank of England has twice applied for admission into the Old Clearing House and been refused—the private Bankers fearing that the Bank would then be able to take mercantile accounts—the Bank of England will be invited to join the New Clearing House.

No. II

The Clearing House was originally established for facilitating the interchange of Checks and Bills by the Bankers of London and at the time of its introduction the number of Bankers in London was considerably less than at present. Those Bankers who enjoy the privilege of paying their engagements with the Bills and checks held by them on their creditors are tenacious of admitting any addition to their number and more particularly do they object to allow the Metropolitan Joint Stock Banks, not excepting the Bank of England, to avail themselves of the facilities such a system affords.

In consequence of this monopoly the Joint Stock Banks and others are deprived of a most extensive and influential class of customers who in the event of such Banks clearing would remove their accounts; of this class are the members of the Stock Exchange who are now prevented by an order of the Committee from

keeping their accounts with any Banker who does not use the Clearing House.

When applied to for admission the Bankers invariably answer that it is a private arrangement among themselves and that they consequently have the power of admitting or rejecting whom they please.

The present movement is not so much to break down the monopoly as to afford to those Bankers who are excluded from the Clearing House to establish one for themselves; before however doing so it is proposed that a Joint Application be made by those excluded for permission to avail themselves of the present establishment.

*To the Committee of Management
of the Clearing House.*

Gentlemen,

We the undersigned Directors of the Bank of England, Joint Stock Banks and Bankers of London respectfully request of the Committee of Clearing Bankers that in order to facilitate our daily transactions with each other we may be permitted to attend at the Clearing House on conforming to the general rules of the House.

APPENDIX II

LONDON AND WESTMINSTER BANK,

Lothbury, March 27, 1848

Sir,

I have the honor, on behalf of the Directors of the London and Westminster Bank, to request you will have the kindness to submit to the Court of Directors of the Bank of England the following subject—

The notices recently issued by the Bank of England, the City Bankers, and the Joint Stock Banks, with reference to shortening the hours of business on the 1st May seem to point out this as a fitting season for considering whether this unity of purpose should not be also applied to the system of clearing.

It is with this object that the Directors of this Establishment venture to suggest that some arrangement might be made to enable the Bank of England and the several Joint Stock Banks (and such Private Banks as choose to join them) to effect a clearing among themselves of their daily transactions and, thus not only facilitate their business with each other but also economize the use of Bank Notes and promote the convenience of the public.

As a precedent for such an arrangement the Directors beg to remind you that the Banks of Dublin hold a clearing daily at the Bank of Ireland, and that the Banks of Newcastle on Tyne conduct their clearing with each other through the Branch of the Bank of England.

The Directors of this Bank trust that the Court of Directors of the Bank of England will be pleased to take this subject into their early and favorable consideration.

I have the honor to be

Sir,

Your most obedt. humble Servant,

DAVID SALOMONS

The Governor of the
Bank of England

BANK OF ENGLAND,

11th May 1848

Sir,

I have the honor to inform you that the Letter which you addressed to me on the 27th March, on behalf of the London & Westminster Bank, having been submitted to the Court of Directors,

The Court consider that it would be requisite, that an entire agreement should exist between the several Private and Joint Stock Banks upon the subject of Clearing, before the Bank of England can entertain the question of its own co-operation.

I have the honor to be,

Sir,

Your most obedt. Servt.

JAMES MORRIS

Govr.

David Salomons Esq. & Aldn.

&c. &c. &c.

APPENDIX III

LONDON AND WESTMINSTER BANK

The Session of Parliament having elapsed without the LONDON AND WESTMINSTER BANK BILL being passed into a law, the Directors deem it their duty to the Shareholders to state that the Bank, as carried on hitherto by means of Trustees, is perfectly efficient for all purposes of suit; and that the rights of the Bank may, in this manner, be equally enforced against the public, as those of the public may be enforced against the Bank.

The Directors, however, applied to Parliament for a bill to sue and be sued by a public officer, because it was the generally recognized mode of large associations carrying on legal proceedings; and because, never having been denied to such associations legally formed, the granting it appeared to them to follow as a necessary consequence of an enactment so clear and explicit as the declaratory clause in the Bank Charter Renewal Act of the last Session of Parliament.*

It was impossible to contemplate either, that Parliament should, at the moment of enacting a law, willingly tie up its hands from using that law,—or that the ill-understood word of a minister should defeat the obvious intention of a general enactment.

The view of the Directors has been confirmed by the decisions of the House of Commons, where the bargain with the Bank of England was contracted, their Bill having been carried by large majorities at each successive stage. With a case so strong it appeared unreasonable to doubt of its being passed into a law.

* After repeating several Acts it says, “And whereas doubts have arisen as to the construction of the said Acts, and as to the extent of such exclusive privilege, and it is expedient that all such doubts should be removed. *‘Be it therefore declared and enacted, that any body politic or corporate, or society, or company, or partnership, although consisting of more than six persons, may carry on the trade or business of banking in London, or within sixty-five miles thereof, provided that such body politic or corporate, or society, or company, or partnership, do not borrow, owe, or take up, in England, any sum or sums of money on their bills or notes payable on demand, or at any less time than six months from the borrowing thereof, during the continuance of the privileges granted by this Act to the said Governor and Company of the Bank of England.’*”

The declared intentions, however, of the Government, and of opposing parties in the House of Lords shewed pretty clearly, if the second reading of the Bill was brought on, what was to be its fate. With a view, therefore, to the future prospects of the Bank, it was deemed expedient not to submit it to such a risk.

The Bill being thus dropped, it becomes necessary, in order that it may be made generally known, to explain the exact mode of acting by Trustees:—The annexed statement has reference to that object; and it requires only to be explained to the public to shew how the whole advantages of Joint-Stock Banks are secured—the public in this manner having the security of a large proprietary—and the large proprietary having no difficulty in dealing with the public.

By order of the Board,

JAMES WILLIAM GILBART,

London, 38, Throgmorton-Street,

Manager.

16th August, 1834.

Statement of the manner in which the LONDON AND WESTMINSTER BANK conducts its business in reference to suing and being sued.

In recovering debts, or in defending suits or actions, all the partners of a partnership must, by the common law of England, sue and be sued by their several and distinct names. Where the partners are numerous, this is a great inconvenience, and the act to sue and be sued remedies it by providing that all actions shall be brought by or against the partnership in the name of one or two or its members who are called, for this purpose, public officers.

A large partnership desiring to recover debts, and not having such an act to sue and be sued, may, nevertheless, sue in the names of all its partners, and, therefore, it is under no absolute disability, nor can the debtor escape.

The utmost that it experiences from the want of such an act is an inconvenience; and this is removed by carrying on business through Trustees.

The LONDON AND WESTMINSTER BANK acts thus through Trustees, who are never more than five in number, and the right of action to recover all debts is vested in them by special contracts.

All bonds, mortgages, and special securities when taken, are taken in the names of the Trustees; and upon these they have an undoubted right of suit.

All bills of exchange, promissory notes, or other negotiable securities, are either endorsed to them specially, in which case they alone sue as the special endorsees; or they are endorsed in blank and delivered to the Trustees, in which case they alone sue as the holders.

All guarantees for bills and otherwise, and all engagements to repay money lent, are taken in writing and addressed to the Trustees, by which means the right to sue on them is in the Trustees.

The only other case in which a debt can arise is upon an overdrawn account; and to vest the right of action in the Trustees, the pass-book of the customer is kept with the Trustees, and on opening an account an engagement in the undermentioned form is signed.

TO SAMUEL ANDERSON, HENRY BOSANQUET,
FREDERICK BURMESTER, CHARLES GIBBES,
and HENRY HARVEY, ESQUIRES.

LONDON,

1834.

GENTLEMEN,

YOU engaging that the LONDON AND WESTMINSTER BANK shall pay to me whatever Sums shall be due to me on my current or other Accounts with it, I hereby agree, as a separate Contract with you, to pay to you or the survivors of you, after demand, the Balance, if any, which shall at any time hereafter be due by me to the LONDON AND WESTMINSTER BANK on those Accounts or otherwise; and I request that such drafts only, on these Accounts, may be honoured as have the underwritten Signature.

I am,

GENTLEMEN,

Your obedient servant,

The members of the company can be sued for their debts with the same facility as strangers, under the 24th and 25th clauses of the Deed of Settlement, which are to the following effect.

24. "A member indebted to the company, is to pay his debt upon demand without requiring or seeking the accounts of the partnership to be taken, and in case of default, his debt may be recovered as liquidated damages."

25. "In all actions or suits at law, or in equity instituted by or on behalf of the company or *vice-versa*, the partnership to form no bar to the action or suit proceeding, and this clause may be read on the trial as an admission to that effect if required."

Thus, in every case of recovering debts, the right of action becomes vested in Trustees, and the whole progress of these transactions is now reduced to a routine of entire simplicity.

All the forms of engagements used by the BANK have been settled by the most eminent barristers.

The want of the Act to sue does not therefore obstruct the Bank; and in respect to being sued, if ever a case happens where it may be necessary, and which can only be in order to try some litigated question where the BANK may be advised that it is in the right, the Trustees would represent the Company, and be the Defendants. All Bills of Exchange drawn on the Bank are accepted on behalf of the Trustees, and they may be sued on them by the holders if requisite. Upon all other contracts with the Bank the Trustees engage to be sued on behalf of the Bank. The Capital and Assets of the Company are all vested in the Trustees, and are applicable by them to the payment of all engagements made by them or on their behalf; and by these means the difference between the Trustees and the public officers is in name only, and the public, with as great facility, sue the Trustees, and have the guarantee of the large Capital and Assets for the engagements of the Bank as if it had an Act to be sued.

Where prosecutions for theft, robbery, forgery, or otherwise, might ever be requisite, the Company would experience no inconvenience,—as will be evident from a perusal of the under-mentioned sections of existing Acts of Parliament*

* 7 Geo. IV., c. 64, section 14. —And in order to remove the difficulty of stating all the owners of property, in the case of partners and other joint owners, be it enacted, that in any indictment or information for any felony or misdemeanour, wherein it shall be requisite to state the ownership of any property whatsoever, whether real or personal, which shall belong to or be in the possession of more than one person, whether such persons be partners in trade, joint tenants, parceners or tenants in common, it shall be sufficient to name one of such persons, and to state such property to belong to the person so named and another,

It is an obvious defect in the law of partnership, that a large partnership should, on account of its numbers only, experience any inconvenience from which a society of few partners is exempt, and there can be little doubt that this defect must, for the public convenience, be remedied in the next session by a general Act.

Where the Legislature has removed all obstructions to criminal proceedings by a large Partnership, it is impossible for it to defend retaining similar obstructions in respect to civil proceedings.

or others, as the case may be; and whenever, in any indictment or information for any felony or misdemeanor, it shall be necessary to mention, for any purpose whatsoever, any partners, joint-tenants, parceners, or tenants in common, it shall be sufficient to describe them in the manner aforesaid, and this provision shall be construed to extend to all Joint-Stock-Companies and Trustees.

By section 28th of 11 Geo. IV. c. 66, being an Act passed for the prevention of frauds and forgeries; it is stated that where committing any offence with intent to defraud any bodies politic or corporate, societies, or companies, &c. is made punishable by this Act, "it shall be sufficient in any indictment to name one person only of such company, society, or number of persons, and to allege the offence to have been committed with intent to defraud the person so named and another, or others, as the case may be."

CHAPTER V

FACTORS OF CHANGE

I

IN the following chapters there is sketched the development of the various institutions which in the course of time became welded together as the Westminster Bank of our own day. Each institution has its own 'private' record of good and evil days, of success and failure, of problems to be faced and difficulties to be overcome. The story of each institution is thus from one point of view a history of human personality and of its response to external opportunity.

But to think of the aggregate development in this atomic way is to misunderstand the complexity of the evolution as a whole, for that 'environment' of external opportunity is itself nothing but the sum total of all institutions and of the men who directed them. The romanticists of history are apt to forget the limiting conditions of circumstances: defects of character may only be defects because the environment is what it is at a given moment of time. But, equally, the scientific historian, seeing development as a complex of impersonal 'forces', overlooks the mutability of the forces with which he is dealing. The modern English banking structure is no doubt the response of form to function, but the process of adaptation requires to be stated in more precise terms before the reasons why particular institutions assumed leadership, whilst others were absorbed or eliminated altogether, become clear.

In this chapter some general considerations bearing upon the course of development will be dealt with, for without some appreciation of these more general features the detailed records of the succeeding chapters will be robbed of much of their significance.

II

The history of Victorian expansion is an oft-told tale, grown stale by repetition. But now that that age has receded into the past, it becomes easier to avoid both uncritical eulogy or equally uncritical contempt in describing its main characteristic: an immense change of scale. It was that age which saw the settlement of Canada, Australia, and South Africa, the opening up of Africa; the shifting of the American frontier from the Mississippi to the Pacific; the rise of Germany, Russia, and Japan, to the position of economic 'world Powers'; which witnessed revolutionary changes in the standard of life and the occupations of the population of the world, whilst that population expanded at an unparalleled rate. These changes would not have been possible without cheap transport,¹ without immense movements of both capital and men, or without an equally great expansion in the volume of production and international trade.²

¹ The centenary of London joint stock banking coincides with the centenary of railway transport in London. The London and Greenwich Railway was opened to traffic in 1836 as far as Deptford.

² The following table may prove interesting as affording evidence of the change of scale:

ANNUAL AVERAGES*

	Population (mill.)		Exports of Domestic Produce (mill. £'s)		Exports of Manufac- tures (mill. £'s)		Coal Output (mill. tons)		Steel Output (mill. tons)		Output of Pig-Iron (mill. tons)	
	1855- 59	1900- 04	1855- 59	1900- 04	1855- 59	1900- 04	1855- 59	1900- 04	1855- 59	1900- 04	1855- 59	1900- 04
U.K.	28.2	42.0	116.1	282.7	103.9	224.7	66.1	226.8	†	4.9	3.5	8.6
Germany	33.2	58.0	—	235.6	—	154.2	—	110.7	†	7.3	—	8.9
U.S.A.	28.9	79.0	52.8	292.3	7.9	99.8	12.4	281.0	†	13.4	0.7	16.4
France	36.3	39.1	75.8	168.6	—	94.6	7.5	31.8	.02	1.7	0.9	2.6
	126.6	218.1	244.7	979.2	111.8	573.3	86.0	650.3	.02	27.3	5.1	36.5

* From Cd. 4954 of 1909. *Statistical Tables and Charts relating to British Foreign Trade and Industry*, pp. 2-5.

† Cannot be given.

The Victorian age, in other words, built up a world economic order, and the change of scale, accompanied as it was by a change of technique which, in the last resort, made the change of scale possible, involved grave problems of adjustment. The most characteristic feature of such lack of adjustment is the phenomenon known as the trade cycle. Even if it is true that it is possible to trace the cyclical character of economic progress back into the eighteenth and seventeenth centuries,¹ and given also that the amplitude of cyclical fluctuation is liable to be seriously affected by the nature of the credit system, it still remains the case that the necessity of adjusting economic institutions to a change of scale is likely to affect the intensity of boom and depression alike.

The rhythm of economic life is at all times subject also to the influence of one 'exogenous' factor of the greatest significance—the monetary (as distinct from the credit) factor. The rise of prices which followed on the gold discoveries of the late 'forties and which culminated in the international crisis of 1873 accentuated the upswing of the normal cycle; just as the long period of falling prices which followed, checked in its turn by the South African gold discoveries, must have accentuated the downswing of the cycle.

From the standpoint of the banker, such secular price changes accentuate the difficulty both of managing the securities portfolio and of handling commercial loans and overdrafts. The grave outburst of fraudulent or semi-fraudulent practices in the late 'fifties and middle 'seventies was a result, in all probability, of a period of rising prices in which the opportunities of money-making were greatly increased and commercial morality correspondingly weakened.

¹ W. S. Jevons, *Investigations in Currency and Finance*, pp. 189 *et seq.* W. R. Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720*, vol. I.

III

The English banking system of the Victorian era, inheriting a tradition of local attachments and of a relatively static economic situation, had thus to learn to adjust itself to a change of scale, to the growing significance of cyclical fluctuations and secular price trends, as well as to the new methods of administration involved by the acceptance of the principle of joint stock banking. The task was not made any easier by the fact that the new joint stock banks themselves were caught up in the speculative fever at times, and that their shares became the object of widespread speculation, whilst their resources were exploited in the interest of those whose duty it was to consider the benefit of the shareholders whose appointees they nominally were. There was thus, in the early days of joint stock banking, a real danger that the institutions sanctioned by the law for the remedy of existing difficulties would in their turn succumb to the temptations to which they were exposed. Of these temptations three stand out prominently.

Firstly, since the early joint stock banks were mainly local institutions, there was always the danger that risks would not be adequately spread, and that any economic calamity affecting the main industry or industries of a particular district would drag the local banks down with it. It must be confessed that this danger was overlooked in the main by the critics of contemporary joint stock banking, who, on the contrary, stressed the opposite danger, i.e. the difficulty of controlling a widespread network of branches, some of them, perhaps, at a considerable distance from the head office. No doubt at a time when communications were still difficult and the technique of branch control still in its infancy, the extension of area was a real danger, but it was one which every improvement in communications tended to diminish.

Secondly, over-concentration in a particular locality accentuated the risk that too much would be advanced to particular firms. The classical case in the early history of English joint stock banking is perhaps that of the North-umberland and Durham Bank, one of the institutions which applied for relief to the Bank of England during the crisis of 1857. With liabilities of some £2·5 millions, this bank had advanced, directly or by endorsements on bills, nearly one million pounds to a single company, the Derwent Iron Company: the fact being that 'Mr. Jonathan Ricardson, who was the moving spirit of the whole bank, in fact the person who managed everything, was, though not a partner in the Derwent Iron Company, very largely interested in it as holding the royalties upon the minerals which they worked'.¹

Thirdly, the limited resources of banks in areas where the local industries were undergoing rapid expansion led them to trade upon the unlimited liability of their shareholders and to rely to an unjustifiable extent upon the resources of the London discount market, which was itself undergoing a great expansion of activity,² partly because there was a large demand for accommodation from the 'deficit' areas, but also because the growth of national wealth and income caused banks in other areas to have a constant surplus of funds which could not be easily invested locally or in government securities, if the principle of adequate spreading of risks was to be observed. A difficult situation thus arose.

So long as the banks continued to be largely local concerns, the existence of a highly organized bill market was an absolute necessity, both for the banks in the expanding manufacturing areas and for those in the agricultural areas;

¹ *Select Committee on the Bank Acts, 1857-8, Report*, p. xix.

² For the rise and growth of the London discount market, *v. W. T. C. King, History of the London Discount Market* (1936).

failure to link up the supply of and demand for funds would have implied an intolerable waste of resources.¹

On the other hand, the joint stock banks had inherited the tradition that a 'first-class' banker did not rediscount.² The London joint stock banks followed this example.³ Some of the worst failures among the joint stock banks took place amongst the banks which did not. Hence the system of rediscounting suffered from the disrepute of some of the institutions which it had helped to keep alive; and even if it could legitimately be argued that the rediscounting system was not responsible for the existence of weak, corrupt, or inefficient banks, it was not so easy to rebut the charge that the discount market relied too exclusively on the

¹ 'But the Committee' [of 1836-1837] 'not only think re-discounting dangerous for the Banks, but also for the public. Now the danger, if any, to the public, must result from the discounts being withdrawn. For if the Joint Stock Banks should at any time be unable to re-discount their bills in the London market, they would in like manner be unable to discount for their customers, by which many might be injured and some ruined. But it must be remembered that in resorting to the London market, the Joint Stock Banks do not make the money they borrow, and if not lent to them, it would, directly or indirectly, be lent to private traders in London. When therefore a pressure came, if it did not fall upon the customers of the Joint Stock Banks it would fall upon some other customers, and whether is it the most dangerous, to have it fall with concentrated force upon one point, or to have it spread by the Joint Stock Banks over a wide surface?' T. Joplin, *An Examination of the Report of the Joint Stock Bank Committee*, 3rd edn., 1837, pp. 16-17.

² *v. above*, p. 31. In addition to the views there quoted, *v. Stuckey*, *Select Committee on Banks of Issue*, 1841, Q. 640: 'We never re-discounted bills in our lives'; I. C. Wright of Nottingham before the same *Committee*, Q. 1632: 'It is not the custom of private banks to re-discount their bills; and we should not do so. It is the case certainly with some banks, particularly with joint-stock banks, that when they are banks of issue they also habitually re-discount their bills in the market, but that is a system which we have not considered it respectable to act upon.'

³ *Select Committee on the Bank Acts*, 1857-8, David Salomons, Q. 1169: '... I think I ought to add (and I believe it is the case with all the banks) that the London and Westminster Bank, from the day of its first institution until the present day, has never rediscounted a bill. No bill has ever left our Bank unless it has been for payment.'

unlimited liability of the shareholders of banks, and took less trouble than it might have done in discriminating between the paper of different institutions.¹

It required the convergence of a good many separate factors to kill these three abuses and the danger of over-expansion which they encouraged. In the course of time, the extension of the branch network of the amalgamating banks reduced the necessity for rediscount. Experience taught the banks that lending on what was virtually long-term by constant renewals of bills was a disastrous expedient; the stricter attitude towards the bill brokers for a time adopted by the Bank of England forced them in their turn to be more discriminating. The greater resources of the English joint stock banks finally freed them from dependence on the bill market, which turned to international bills as an alternative form of investment.

¹ v. para. 54 of the *Report of the Select Committee on the Bank Acts, 1857-8*: 'Thus we have traced a system under which extensive fictitious credits have been created by means of accommodation bills, and open credits, great facilities for which have been afforded by the practice of joint stock country banks discounting such bills and rediscounting them with the bill brokers in the London market, upon the credit of the bank alone, without reference to the quality of the bills otherwise. The rediscounter relies on the belief that if the bank suspend and the bills are not met at maturity, he will obtain from the Bank of England such immediate assistance as will save him from the consequences. Thus, Mr. Dixon states, "In incidental conversation about the whole affair, one of the bill brokers made the remark that if it had not been for Sir Robert Peel's Act, the Borough Bank need not have suspended. In reply to that, I said, that whatever might be the merits of Sir Robert Peel's Act, for my own part, I would not have been willing to lift a finger to assist the Borough Bank through its difficulties, if the so doing had involved the continuance of such a wretched system of business as had been practised; and I said, 'If I had only known half as much of the proceedings of the Borough Bank while I was a director . . . as you must have known, by seeing a great many of the bills of the Borough Bank discounted, you would never have caught me being a shareholder'; the rejoinder to which was, 'Nor would you have caught me being a shareholder; it was very well for me to discount the bills, but I would not have been a shareholder either'.'"'

But for some decades at least the state of the law formed an obstacle to a more rational arrangement of the banking system. At an early date Gilbart realized that the internal problems of administration were bound up with the external question of scale: the weak and small banks would be run by weak and small men: every extension of the scale of enterprise would enable the banks to attract the superior talent which they required if they were to be run efficiently in an era of rapid expansion.

IV

A 'boom' in joint stock banks was one of the most marked characteristics of the upswing which culminated in 1836, and even the professed friends of the new system became alarmed. The growth of the new system was indeed very marked. Outside the sixty-five mile radius the number of joint stock banks increased from six to fifty-five between 1826-1827 and 1834-1835. A year later the number had grown to 100, and by 1841-1842 the number had still further increased to 118. During the same period of time the number of private banks fell from 465 to 311, a large number having been absorbed in the 'boom' years. By March 1836, the sixty-one joint stock banks which enjoyed the protection of the Act of 1826 had 15,670 partners and were established at 472 places, so that the branch banking principle was already fully established.

It is no wonder, therefore, that William Clay, moving for the appointment of a Select Committee of inquiry on 12th May 1836, should have been led to say that under the Act of 1826 'a system of Joint-stock banking has grown up already of great magnitude, which is daily extending its ramifications, and which promises very shortly to comprehend every portion of the kingdom, and every class of the population within the sphere of its operation. . . . We have called into existence, we have introduced into our monetary

system an element of tremendous power. We have taken no precaution to limit or control its operations'.¹

The direct result was three years of Parliamentary inquiry, the net outcome of which was the accumulation of much invaluable material relating to current joint stock banking practices, a report in 1836² setting forth the deficiencies of the law as it then was, and a report in 1838 drawing attention to the serious consequences following from the fact that 'the common-law remedy for the recovery of debts which exist between party and party is not applicable in cases where the debt is contracted between a partnership and one of the partners or shareholders'.³

The joint stock banks themselves on 18th January 1839 addressed a memorial to the Prime Minister calling attention to a series of outstanding grievances: some affecting the joint stock interest as a whole, some particularly affecting the position of the London joint stock banks and those within the Dublin area. The document was signed by P. M. Stewart, a Director of the London and Westminster Bank, was circulated from the West End office of that bank, and had been drafted by Gilbart, its General Manager. It thus gave the London and Westminster Bank the opportunity for a new statement of its grievances, but the document as a whole left the fundamental problems with which the Committee of 1836 had concerned itself practically untouched.⁴

No immediate action of a thoroughgoing nature was undertaken by Government—for the moment interest

¹ *H.C. Debates*, 3rd Series, vol XXXIII, col. 840 *et seq.*; *An Account of the Number of Private and Joint Stock Banks registered in each Year, from 1820 to 1842, inclusive* (B.P.P. 1843, vol. LII); *Speech of William Clay on moving for the appointment of a Committee to Inquire into the operation of the Act permitting the Establishment of Joint-Stock Banks* (Institute of Bankers' Library, Pamphlets, Vol. IX).

² *v. below*, Appendix I, p. 222.

³ *Report of the Select Committee on Joint Stock Banks*, 1838, p. iii.

⁴ *v. below*, Appendix II, p. 224.

centred upon the problem of the note issue—and it was not until 1844 that Sir Robert Peel dealt with both issues in two successive pieces of legislation.

One of these—the Bank Act of 1844 (7 & 8 Vict., c. 32)—has remained the fundamental statute governing the operations of the Bank of England ever since. Its intention was to limit the aggregate volume of the fiduciary note circulation and to provide for its gradual aggregation in the hands of the Bank of England. Its success in this respect was so marked and the influence it exerted upon British banking controversies has been so great that even the memory of the other piece of legislation of the same year almost faded away within a generation of its passage and subsequent repeal.

But at the time of its enactment the Act 7 & 8 Vict., c. 113—an Act to regulate Joint Stock Banks in England—was intended to remedy the abuses of the *de facto* situation. This it certainly did not succeed in doing; but what it did do was to prevent the easy formation of new joint stock banks, and to reinforce very effectively the influence of the legislation of 1826, 1833, and the Bank Act of 1844, in keeping the structure of British banking in a less satisfactory condition than it might easily have been if the law had left banking alone or had sought to remedy existing defects in other ways. What was really required was the emergence of stronger, less localized banks; the trend of legislation was to prevent such banks from rising.

The Joint Stock Bank Act of 1844 provided that in future no banking company could operate without Letters Patent granted after petitions heard by the Committee of the Privy Council for Trade and Plantations. No company was to have less than £100,000 of capital, no advances were to be made on the security of the bank's own shares; there was to be monthly publication of the bank's assets and liabilities; shares were not to be less than £100 par value; there was provision for an annual audit by two auditors

chosen, not by the directors but by the shareholders, and the principle of unlimited liability was retained. Provision was made by which existing banks might recharter under the Act, though it was not likely that advantage would be taken of this permission, in view of the increased stringency of the new measure.¹

From 1844 there were thus

1. Joint stock banks governed by the legislation of 1826.
2. Joint stock banks governed by the legislation of 1844.
3. Joint stock banks (in the sixty-five mile area) operating under the 'Declaratory Clause' of the Bank Charter Act of 1833.
4. Banks rechartered under the Act of 1844.

The effect of legislation cannot be weighed without further taking into account the effect of the Bank Act of 1844. That Act 'rationed' the fiduciary circulation of existing banks of issue, joint stock and private banks alike, but section XVI of the Act provided that if two note issuing banks amalgamated, they might continue to issue the sum of the authorized issues of each bank taken separately; 'Provided always, that it shall not be lawful for any united Bank to issue Bank Notes at any Time after the Number of Partners therein shall exceed Six in the whole'.

It followed from this mass of legislation that (1) a provincial bank of issue under the Act of 1826 opening for business in London lost its right of note issue;² (2) a provincial bank of issue amalgamating with another could only retain the issues of either if (a) both had had more than six partners before the Bank Act of 1844 or (b) had six partners

¹ The Joint Stock Bank Act of 1844 did introduce one alleviation: section XLVII permitted banks within the sixty-five mile radius to sue and be sued in the name of a Public Officer, thus putting an end to a long-standing grievance.

² It was the reluctance to sacrifice its note issue which for three decades prevented the National Provincial Bank of England from opening for business in London.

or less after amalgamation; (3) a provincial bank of issue amalgamating with a London bank lost its right of issue.

The existing body of legislation did not impede amalgamations between non-issuing banks, nor did it directly prevent the general growth of a bank by means of the opening of further branches, but it did tend to stereotype existing divisions and to check the establishment of new banks. Of the 118 English joint stock banks, exclusive of the Bank of England, in existence in December 1874, 72 had been established in the period 1826-1840, three were established between 1841 and 1845, and only a single one in the period 1846-1860: though as many as 26 were established in the quinquennium 1861-1865.¹ 'The lull in the establishment of joint stock banks in England between 1840 and 1862 is very remarkable', commented John Dun, writing in 1875.

The gross abuse of joint stock banking prior to 1840 doubtless created an ignorant prejudice against its use. This prejudice was both evidenced and fostered by the course of the parliamentary inquiry of 1840 and by the speeches of Sir Robert Peel and others in the debates on the banking legislation of 1844. That legislation prevented the establishment of any new bank of issue, and the public were slow to learn that provincial banking could be profitably carried on without the privilege of issue. But by far the most powerful bar to progress lay in the liability of any shareholder to have judgment decrees and orders against the company enforced against him individually, whether he were a member at the time the cause of action arose, or had been a member within three years. This liability was abolished by an Act of 1857.² The banking failures of 1847 and 1857 no doubt contributed likewise to retard the development of joint stock banking, and it was reserved for the much abused principle of limited liability under the sanction of the Companies Act of 1862 to inaugurate a fresh point of departure in the extension of joint stock bank enterprise.³

¹ Dun, *British Banking Statistics*, 1875, Table vi, page 20.

² v. 20 & 21 Vict., c. 49, Sec. X.

³ Dun, *op. cit.*, p. 21.

V

The period between 1844 and 1866 was in some respects the most troubled in the annals of British banking. Free trade, improved technique and transport facilities, accentuated the expansionist tendency inherent in the new flood of gold from California and Australia. The pace of economic life was greatly quickened, and the difficulty of curbing excesses would thereby in any case have been much increased, even if the mechanism of control had existed, and no sudden shocks had been given to the economic system by war or revolution.

But, in fact, the mechanism of control did not yet exist in a perfected form, and at the same time the Crimean War and the Indian Mutiny, followed by the protracted struggle in the United States, accentuated the speculative tone of produce and raw material markets, affected the stability of the great textile industry of the North and the safety of the growing foreign investments of the country. In the financial sphere the growth of the railway system and of other 'public utility' enterprise was popularizing the joint stock principle, which between 1855 and 1862 obtained full legal recognition. The further application of the principle to banking was inevitable, but the minor boom which followed in the shape of the creation of new investment and finance companies, foreign and colonial banks, as well as banks intended to operate in the domestic sphere,¹ greatly added to the difficulty of control which, from the banking point of view, was the central problem of the age. The truth is that, instead of central control becoming steadily more potent for part of the time within this period, it was weakened by the prevalence of the view, popularized by Sir Robert Peel, that the 'banking business,

¹ The Alliance Bank (1862), the Consolidated Bank (1863), and Parr's Banking Company (1865), subsequently to be merged into one Bank, were all creations of this 'boom' period.

as distinguished from Issue, is a matter in respect to which there cannot be too unlimited and unrestricted competition'.

The evil consequences of the partial acceptance of this point of view lay, not so much in the refusal by the Bank of England to accept responsibility during the occurrence of a 'panic'—for that, in fact, it never did refuse—but in the intensification of the upward swing of the trade cycle through the Bank's entering into direct competition with the open market whenever, in its opinion, the volume of its 'earning assets' was insufficient.

The difficulty in a period of pressure came from another source: the existence of doubt as to the intentions of Government. The Bank of England was, in general, willing to come to the assistance of the market, but the extent to which in a moment of extreme pressure it could do so, was dependent upon the exercise of the 'relaxing power' by the Chancellor of the Exchequer, in other words, upon a suspension of the Bank Act. By 1857 the exercise of that power was beginning to be regarded as 'normal', but even in 1866 and later the extent to which the Bank of England *ought* to regard itself as responsible for ultimate control was a matter of doubt. This particular controversy was only resolved when Bagehot's *Lombard Street* was published in 1873, which exposed the inconsistency between current practice and current philosophy, and by so doing contributed to bring the new era into being.

Every period of 'pressure'—1847, 1857, and 1866—witnessed a crop of bank failures, both of private and joint stock banks.¹ The main causes of such failures have already

¹ In 1847, among the joint stock bank failures, were those of the North of England Joint Stock Banking Co., the Royal Bank of Liverpool, the Liverpool Banking Co., the Union Banking Company, and the North and South Wales Bank. In 1856–1857 the Cheltenham and Gloucester Bank, the Newcastle Commercial Bank, the Royal British Bank, the Liverpool Borough Bank, the Northumberland and Durham Banking Co., and the Wolverhampton and Staffs. Banking Co., were among the suspensions. In 1866, apart from the failure of Overend and

been alluded to; and it became clear, with the failure of the Royal British Bank in 1856, that the joint stock banking code did not prevent abuses at least as great as those possible under previous legislation.¹

The existence of joint stock banks operating under three different sets of laws gradually became recognized as an anachronism, and the first steps in the direction of codification came with the passage of the Act of 1857, 'The Joint Stock Banking Companies Act, 1857' (20 & 21 Vict., c. 49).

This Act swept away the Act of 1844 and provided for the re-registration of companies formed under the previous Act: allowed banking companies of seven or more persons not legally requiring to be registered under the Act nevertheless to register voluntarily, and, as regards the future, *required* new banking companies with more than ten persons to register under its terms and *permitted* companies with seven to ten partners to so register 'subject to this Condition, that the Shares into which the Capital of the Company is divided shall not be of less Amount than One hundred Pounds each' (sec. XIII). But, by section III, 'no existing or future Banking Company shall be registered as a Limited Company'. A year later, the Act 21 & 22 Vict., c. 91, did permit banking companies to adopt the principle of limited liability—though such limitation of liability was not to

Gurney, the Bank of London, the English Joint Stock Bank, and the Consolidated Bank suspended: as did some of the leading 'Financial Companies' and a large number of Foreign and Colonial Banks—including the European Bank, the New Zealand Banking Corporation, Agra & Masterman's Bank, the Commercial Bank Corporation of India and the East, the Universal Banking Corporation, and the London, Bombay and Mediterranean Bank. The comment of *The Economist* on the events of 1866 is worth recording: 'greater folly than has been committed by banks and discount Companies during the last two years has never been known before, probably will never be known again'. p. 819.

¹ On the circumstances connected with the failure of the bank, v. D. Morier Evans, *Facts, Failures, and Frauds*, 1859, pp. 268-390.

apply to note issue. Companies registered under the 1857 Act might re-register as limited companies under the same measure, and other companies not registered under the Act might also register under it as limited companies. The Act, by section IV, required two half-yearly statements in prescribed form, 'or as near thereto as Circumstances will admit'. Finally, by the famous Companies Act of 1862 (25 & 26 Vict., c. 89), sec. 4, 'No Company, Association, or Partnership consisting of more than Ten Persons shall be formed, after the Commencement of this Act, for the Purpose of carrying on the Business of Banking, unless it is registered as a Company under this Act, or is formed in pursuance of some other Act of Parliament, or of Letters Patent'.

But it was not until the shock of the City of Glasgow Bank failure in 1878 that the principle of limited against unlimited liability could be finally determined. By the 'sixties it was clear that the day of private banking was almost over; but the precise form which joint stock enterprise was to take was not yet decided.

It was not, in fact, until 19th November 1873 that the London and Westminster Bank became an unlimited company under the Act of 1862;¹ the London and County Bank followed this example on 21st January 1874.²

VI

By the beginning of the 'seventies, the whole scale and tone of the British banking situation had altered. A profound impression, it is clear, had been created when Messrs Jones Loyd had sold their business to the London and Westminster Bank in 1864; but contemporary literature reflects the change in tone even more strikingly. Thackeray's *The Newcomes* was first published in the year 1853, and Anthony Trollope's *The Last Chronicle of Barset* was published in 1867.

¹ *Certificate of Incorporation*, No. 7827C., O.U. 127.

² *Certificate of Incorporation*, No. 8015C., O.U. 132.

In the first book Pendennis, who tells the story, sums up the attitude of contemporary 'Society' by recounting that 'My good uncle, on the other hand, the late Major Pendennis, who kept naturally but a very small account with Hobsons', would walk into the parlour and salute the two magnates who governed there with the ease and gravity of a Rothschild. "My good fellow," the kind old gentleman would say to his nephew and pupil, "*il faut se faire valoir*. I tell you, sir, your bankers like to keep *every* gentleman's account. And it's a mistake to suppose they are only civil to their moneyed clients. Look at me. I go into them, and talk to them whenever I am in the city. I hear the news of 'change and I carry it to our end of the town. It looks well, sir, to be well with your banker; and at our end of London, perhaps, I can do a good turn to the Newcomes."'¹

On the other hand, when Trollope wished to raise the status of one of his minor Civil Servants, he endowed him with the status of a shareholder in a joint stock bank; 'when, in addition to the source of official wealth, he became known as the undoubted possessor of a hundred and twenty-eight shares in one of the most prosperous joint-stock banks in the metropolis, which property had been left to him free of legacy duty by the lamented nobleman above named, then Mr. John Eames rose very high indeed as a young man in the estimation of those who knew him, and was supposed to be something a good deal out of the common way.'² This passage marked the transition from one age to another: it is fortunate that the magnitude of the change can also be illustrated statistically.

In the elaborate and brilliant paper on the *Banking Institutions, Bullion Reserves, and non-Legal-Tender Note Circulation of the United Kingdom Statistically Investigated*, which John Dun, the celebrated General Manager of Parr's Bank, read before the Statistical Society in December 1875,³ he

¹ *The Newcomes*, Chap. V. ² *The Last Chronicle of Barset*, Chap. XV.

³ *Journal*, XXXIX, Part I (March 1876).

included two estimates, one of the 'Total Liabilities and Assets of the Banks of the United Kingdom, December 1874',¹ the other a table comparing the 'Capital and Liabilities of Private and Joint Stock Banks in 1850, 1871, 1873, and 1874'.²

This historical comparison was 'entirely unofficial', being based on a comparison of his own estimates for 1874 with those of Newmarch for 1850, R. H. Inglis Palgrave's for 1871, T. B. Moxon's for 1873. The total assets and liabilities of the English private and joint stock banks (exclusive of the Bank of England and the discount companies and discount houses) were estimated by Dun at £489·8 millions in December 1874, of which liabilities to the public represented £427·5 millions. The proportions into which the assets were divided were merely conjectural, owing to the absence of accurate figures for the provincial private and joint stock banks; but the £428 millions of liabilities to the public represented £391 millions of deposits, some £5 millions of notes outstanding, and £32 millions of acceptances, of which latter figure the London joint stock banks were responsible for almost exactly one-half. Accepting these figures as reasonably accurate, then the resources of the English banking system as a whole had expanded rapidly in the quarter-century before Dun wrote:³

CAPITAL AND LIABILITIES OF PRIVATE AND JOINT
STOCK BANKS IN

	1850 <i>Estimate of Newmarch</i> £ millions	1871 <i>Estimate of Palgrave</i> £ millions	1873 <i>Estimate of Moxon</i> £ millions	1874 <i>Estimate of Dun</i> £ millions
London Banks	64	174	211	234
Country „	97	210	246	256
	161	384	457	490
Percentage of Total for the U.K.	62%	58%	62%	63%

¹ Table LV, *op. cit.*, p. 119.

² Table LVI, *op. cit.*, p. 121.

³ Dun, *op. cit.*, p. 121.

There had thus presumably been a threefold expansion within a period of twenty-five years. A year after the publication of Dun's estimate, the *Economist* (in its number for 20th October 1877) began the issue of its 'tabular statement' of banking figures. In the early years after these statements began, the figures were avowedly very incomplete, owing to the absence of information relating to private banks and the inadequacy of the returns relating to joint stock banks. The growth of the statistical magnitudes relating to British banking is subject not only to secular changes in the habits of the population, resulting in a great increase of those keeping banking accounts, but to changes due to absorptions of non-publishing banks by banks which did publish accounts, as well as to changes produced by a more widespread habit of the publication of accounts, a habit greatly encouraged by Viscount Goschen's plea for greater publicity after the Baring crisis of 1890. Some of these factors were, of course, operative in the earlier as well as in the later periods of British banking history.

Between 1890 and 1914, the total assets and liabilities of the joint stock banks of England and Wales expanded from £464 millions to £1,035 millions, a rate of expansion lower than that implied in the above figures, but not so markedly different as to make the presumed earlier rate of expansion appear at all unreasonable.

VII

Whilst the total resources of the banking system were thus expanding at a relatively rapid rate, the old cleavages in the structure of English banking had not yet been clearly overcome. Up to 1875, at least, the total number¹ of joint stock banks continued to expand, though there was a

¹ *Op. cit.*, p. 22. Dun's inquiries were followed by those of Newmarch, the veteran statistician, in an elaborate paper contributed to the *Bankers' Magazine*, Vol. XXXIX (October 1879).

decline in the number of private bankers, a decline which was to reduce the total number of private banks to nineteen by the end of the century, and to eight by the end of 1914. But while by the middle of the 'seventies the problem of the note issue and the division which it had made in the ranks of banking institutions was at the point of ceasing to be troublesome, the division between the older banks based on the principle of unlimited liability of shareholders, and the newer banks based on the limited liability principle, was still very marked: in 1874, of the 118 banks of England and Wales (exclusive of the Bank of England), 69 were based on the principle of unlimited liability and 49 on the principle of limited liability.¹ Judging by contemporary practice, banking opinion was still sharply divided on the advisability of limited liability.

It required a disaster of the first magnitude to bring the banking world sharply up against the necessity of an almost immediate decision. The whole situation was altered by the failure of the City of Glasgow Bank on 2nd October 1878—'the greatest mercantile catastrophe and disgrace of the last thirty years'.² There is something ironical, it must be confessed, in the circumstance that it was the appalling losses inflicted on the shareholders of a Scottish bank which should have forced action upon the English banking world—was it not the supposed safety of the 'Scottish system of banking' which had given the first impulse to the establishment of the joint stock system in England and Wales?³

The final upshot of the revulsion against the unlimited liability principle was the passage of the Companies Act, 1879 (42 & 43 Vict., c. 76), approved on 15th August of that year. It permitted the registration of unlimited banking

¹ Dun, *op. cit.*, p. 26.

² *Economist*, 30th August 1879.

³ This failure was followed by others in the West of England in January and February 1879, which added to the prevailing alarm. See Michie's edition of *Gilbart on Banking*, II, p. 395 *et seq.*

companies as limited companies under the new Act, and similarly permitted banking companies which were limited under previous Acts to register as limited companies under its terms.

The most important sections of the Act were sections 5 and 7. Section 5 provided that limited companies might increase the nominal capital of the company by increasing the nominal capital of each of its shares, 'provided always, that no part of such increased capital shall be capable of being called up, except in the event of and for the purposes of the company being wound up'. Where a company had shares partly uncalled up, it might 'provide that a portion of its uncalled capital shall not be capable of being called up, except in the event of and for the purposes of the company being wound up'.

In this way there was created the principle of 'Reserved Liability'; the complexities of the section were due to the circumstances that some limited companies had, and some had not, fully-paid-up shares, and that unless the first group of companies could increase their aggregate capital in some way, the new principle of 'Reserved Liability' would be useless to them.¹

Section 7 required an annual audit of the accounts of every banking company registered after the passing of the Act, by an auditor or auditors, to be elected every year by the company in general meeting, who were required to certify 'whether, in his or their opinion, the balance sheet referred to in the report is a full and fair balance sheet properly drawn up, so as to exhibit a true and correct view of the state of the company's affairs, as shown by the books of the company; and such report shall be read before the company in general meeting'.

¹ The Act did not by any means enact the terms of the Bill as originally presented to the House of Commons, *v.* Michie's edition of *Gilbart on Banking*, Vol I, pp. 432-442; for a critical contemporary examination of the original bill, *v.* John Dun's *Notes on the Chancellor of the Exchequer's Banking and Joint Stock Companies Bill*, 1879. Londont, 1879.

The primary object in passing the bill had been to pacify bank shareholders and to prevent the transfer of bank shares into weak hands. But the passage of the Act at once led to a controversy among the banks themselves as to whether it was desirable for them to avail themselves of the clauses of the Act. Leadership among the country bankers was assumed by the Manchester and Liverpool District Bank: the Directors of that institution¹

immediately employed their influence to bring about a meeting of all the unlimited joint-stock country banks and thereby, if possible, a general agreement to take advantage of the Act *simultaneously*, which condition would manifestly reduce to a minimum such risk as may be supposed to attend the change. The desired meeting was held on the 23rd of October, and of fifty-eight banks invited to attend, thirty-seven were represented. The most important occurrence that resulted was a declaration on the part of the London and County, the National Provincial, the Capital and Counties, and the Bury Banking Company that they had determined to become limited irrespective of others. But as most of the other representatives present professed to be unacquainted with the sentiments of their respective boards of direction, and therefore were unable to say anything, a committee of three, including your chairman, was appointed to try to elicit the intentions of the directors by letter. A letter was thereupon addressed to each of the fifty-eight banks, and the result, to this time, of the passing of the Act of last session, and the above described proceedings prompted thereby, is as follows:—Of the seven unlimited English joint-stock banks carrying on business in London, five, viz., The London and Westminster, The London and County, The National Provincial, The City, The Capital and Counties, have taken preliminary steps to become limited; and two, viz., The Union² and The London Joint Stock,³ at present decline to make the change. Of the fifty-eight unlimited English provincial banks twenty have expressed their intention to become

¹ Report of the Fiftieth Annual General Meeting, held on 28th January 1880, *Bankers' Magazine*, 1880, p. 239.

² On the attitude of this bank, *v.* the Chairman's speech at the meeting of 14th January 1880, *ibid.*, pp. 139–140.

³ *v.* the Chairman's speech, 15th January 1880, *ibid.*, p. 128.

limited, twelve of the twenty . . . having taken the necessary action preliminary to making the change. Thirteen are willing, but waiting for others. Four are known to be unwilling; and the remaining twenty-one have not responded to the enquiry, so are assumed to be waiting or to be indifferent or hostile to limitation.

By April 1880 the *Bankers' Magazine* was able to publish a list of fourteen *English* joint stock banks showing the changes of capitalization brought about by the acceptance of the principle of the measure.¹

As early as 10th December 1879, the London and Westminster Bank published what was described by the *Bankers' Magazine* as a 'very important circular',² the text of which follows:

41, Lothbury, London, E.C.,
10th December, 1879.

To the Shareholders of the London and Westminster Bank.

The directors of the London and Westminster Bank, as already intimated at recent meetings of the shareholders, have given the most serious consideration to the question of registering the bank as a limited company; and an Act having been passed in the last session of Parliament enabling unlimited companies to re-register as limited, they have decided to recommend the shareholders to avail themselves of the provisions of that Act.

The directors are of opinion that, in carrying this recommendation into effect, it will be desirable to increase both the subscribed and paid-up capital of the bank. They, therefore, propose an issue of 40,000 new shares of £100 each, upon which £20 per share will be called up, and which will be offered to the proprietors at £10 premium per share, in the proportion of two new for every five old shares. The payments to be spread over a period of three years, and interest thereon at the rate of 5 per cent. per annum allowed until 31st December, 1882, after which the new shares will rank for dividend equally with the old.

It is proposed that the premium of £10 per share shall be added to the reserve fund, which will then amount to £1,400,000.

Fractional scrip will be issued to proprietors who do not hold the requisite number of shares to entitle them to a new share.

¹ *Bankers' Magazine*, 1880, p. 296.

² *Op. cit.*, p. 13.

The result of these recommendations, if adopted,	
will be to give the bank a subscribed capital of..	£14,000,000
A reserve fund of.....	1,400,000
Total	15,400,000
<hr/>	
The paid-up capital will be.....	2,800,000
The reserve fund.....	1,400,000
Total	4,200,000
<hr/>	
The uncalled capital, equal to £80 per share, being	11,200,000

The directors have not failed to give the fullest consideration to the course of attaching to any portion of the uncalled capital the condition of 'reserved liability', which, in the terms of the Companies Act, 1879, 'shall not be capable of being called up except in the event of and for the purposes of the company being wound up'.

They are, however, of opinion that a 'reserved liability', which may be desirable where a large proportion of the subscribed capital is already paid, or where further calls of capital might be required for the ordinary purposes of business, is unsuited to the circumstances of this bank. They consider that the whole capital, old and new, should remain available as a security to the public, free from any restriction; and that the liability to future calls for the ordinary business of the bank is, in view of the large paid-up capital and reserve, a contingency of no appreciable importance.

It is intended to ask the approval of the shareholders to the foregoing proposals at the meeting to be held on the 21st January next, which, after the ordinary business is concluded, will be made special for the purpose of considering the formal resolutions which will then be submitted, and which resolutions, if passed, will require confirmation at a subsequent special meeting, which it is proposed to call for Friday, the 6th February, 1880.—By order of the board.

T. P. SHIPP, Secretary.

At the annual meeting on 15th January 1879 the problem had, in fact, already been alluded to. The measure of the shock of the City of Glasgow Bank failure can be gauged by the efforts made by the Chairman, Sir John Rose, to allay any suspicions: although the accounts were presented in the

usual form, 'he was instructed by his colleagues to give them the most ample and minutest explanation, and he hoped if he should omit to touch on any point respecting which any shareholder had the least anxiety, there would be no hesitation in asking for an explanation. The board were conscious of no weakness in the bank's position; they had nothing to conceal, and they desired that every information should be known to the shareholders and the public'. The direct and indirect interest of the London and Westminster Bank in the City of Glasgow Bank was limited to a bill-holding of £114,000 and 'he held in his hand a letter from one of the liquidators, who expressed his opinion in the strongest terms that the bank would lose nothing by these bills'. Though deposits had fallen by £5,277,000, 'they were able that day, if necessary, to pay out without the least inconvenience, and without affecting their daily service, the money they had on deposits at call: and as to their deposits at seven days' notice, by using their consols and the money they had in the bank, they could pay every shilling at seven days' notice. He made this statement knowing its full import. With respect to the conversion of banks with unlimited liability to limited liability institutions they had had the matter under their most serious consideration. They were well aware of the dangers of unlimited liability, having recently seen some of the disasters which it had occasioned. Many things, however, had to be looked at in relation to the subject of limiting the shareholder's liability—the effect of the step in their case on our own, on foreign, and on colonial Governments, on the richest institutions both at home and abroad, and on their other customers, also its effect on their earning powers. . . . All these matters, however, were engaging their most serious attention; and he would only say that the bent of their minds was in favour of limited liability when they could make the change'.¹

¹ *Bankers' Magazine*, 1879, pp. 124–125.

A year later, at the special general meeting of 21st January 1880, Sir John Rose was again in the Chair,¹ and gave a very full account of the motives which had led the Board to take advantage of the provisions of the 1879 Act:

The directors possessed the right under the deed of settlement to approve or disapprove the shareholders they would put on the register, but it was impossible to carry out that provision. They hoped that such disasters as those of last year would not occur again in the present generation, but they knew how prone after a panic human nature was to lapse into a state of indifference, and that might account for the reason why a large number of unlimited banks had not yet taken the course of becoming limited. For themselves, however, they did not care to recommend the shareholders to go on as before. They had carefully considered everything, and had come to the conclusion that they could eliminate from their institution the objectionable element he had referred to, and that not only without injuring the shareholders or lessening the security of the public, but, on the contrary, putting the institution in a position as strong, if not stronger than ever before.

They had therefore prepared the scheme before them. There was not the least doubt that by taking this course a class of men would be attracted to become shareholders who would not before in face of the existence of the unhealthy element to which he had alluded. Some of their neighbours had said they would wait and see what effect the change would have on those institutions who made it, and he hoped it would not be long before they did see it. He understood that already twenty unlimited banks had decided on becoming limited. They had received intimations from many of their valued customers that the change they proposed making would not only not shake their confidence, but that they regarded it as another evidence of the caution with which they managed the bank, and they had already attracted a class of men as shareholders who would not have dreamt of becoming shareholders in an unlimited institution.

Objection had been taken to the word 'limited', which would have to come after the name of those institutions which came under the provisions of the new Act; but, although he was not in love with it, he saw no sufficient reason in it why they should not adopt a good thing. They had maturely considered the conditions on

¹ *Bankers' Magazine*, 1880, pp. 131-132.

which they had decided to come under the Act, and, that no doubt might arise in the minds of their customers as to their security, they had decided to increase both their paid-up and their uncalled capital, and he hoped they would think the figure arrived at—£14,000,000—was a fair mean to have fixed.

He denied that the question of reserved liability was a leading feature of the Act, and said that, after anxious consideration, they had come to the conclusion that it would be better not to complicate their capital by having two kinds, but to make it all of the same kind. He then read a letter they forwarded in February last to the Chancellor of the Exchequer to show that the one object they had in view was to get the power to register as a limited company. The new issue of shares would give them about 2,000 more shareholders, increasing the number to 7,000. A most effectual answer to those who thought they should set aside any portion of their capital as reserved liability was the fact that by their constitution any single shareholder could demand that the bank should be wound up should it lose its reserve fund and one-third of its capital.

He then referred to the question of the appointment of auditors by the shareholders, and said they had no secrets from the proprietors. They must not, however, think that these auditors would be a patent against insecurity, as nothing but the daily audit they had at present could be efficient for that purpose, and it must therefore continue.

The London and County Bank had been more affected by the failure of the City of Glasgow bank than had the London and Westminster. It held £167,000 of bills on that institution, and £57,000 of bills on failed firms connected with it, of which sum £206,000 was still outstanding on 31st December 1878. However, the Board was 'informed by those best qualified to judge, that the City of Glasgow Bank will eventually pay its creditors in full, but to provide for loss that may occur in connection with these bills, they have carried £25,000 out of profits to a special reserve account'. At the same time the bank had been exposed to a run. A rumour had spread that there had been a run on the head office and

the report and alarm of this supposed run no doubt did produce an unusual pressure upon some of the branches, and occasioned, no doubt, anxiety to all the shareholders, and great responsibility to your managers and the officers at headquarters itself, and undoubtedly gave a great deal of trouble not altogether unattended with expense; for, when a state of things like that arises, the reserves and unemployed funds must be increased for the time being, and so far the earning power of the bank is diminished. But it was only a small matter. Whether it arose from simple folly, or from interested motives on the part of some persons, I am not prepared to say; but, be the cause what it may, it is a rather serious matter for a bank to have anything like a run mentioned in connection with it. It was troublesome, it was inconvenient, but there was not the slightest difficulty or hesitation in meeting every demand upon the bank. Incidentally I ought to say that we received, in connection with this matter, very kind offers of assistance and expressions of sympathy from all our neighbours. It is a very good thing that banks should stand by each other, and I may say that this bank will be the first to do the same thing, in case of need, for any of its neighbours.¹

At the annual meeting in February 1880, the question of limiting the shares of the bank arose. Nothing more clearly illustrates the change of tone from a previous generation than the Chairman's introductory remarks, addressed, it is true, to the fears of the shareholders.² 'It seems to me most unreasonable', he began, 'that for the sake of getting, perhaps 1 or 1½ per cent more for your money than you can do in the safest possible investments, you should hold shares in a bank of unlimited liability, where, by means of fraud, or even of robbery, you may run the risk of losing all your money. To my mind, when the subject was brought before us in the way it was, it is simple nonsense that people will, after they consider the matter, continue to hold shares in an unlimited bank'. He then

¹ William Henry Stone at the annual general meeting on 6th February 1879, *Bankers' Magazine*, 1879, pp. 233-234. The amounts due by the Bank on customers' balances, etc., declined during 1878 from £23·3 millions to £21·5 millions.

² Frederick Francis, *ibid.*, 1880, p. 232.

went on to explain the provisions of the 1879 Act, and added:

As soon as this Act was passed we took it into our consideration—our anxious consideration; we had many interviews with other banks, and discussions, without end almost, upon the course we were to adopt with respect to it. The outcrop of our deliberations was the circular of the 29th November, which we sent to the shareholders of the bank, about 4,000 in number.

After reciting the main points of the circular, the chairman continued:

It was responded to by the shareholders in an almost—not quite, but almost—unanimous assent. Out of 75,000 shares composing the capital of the bank, the representatives of only 255 shares said they dissented. I have taken the trouble to look at these to see why they dissented. There was no reason, as far as I could see, given for any of them; but I found that nearly half the dissents came from ladies, and I came to the conclusion that they did not quite understand the matter, and probably that they thought they were to be asked to pay up £80. It is so small a proportion that we may really take it that the shareholders unanimously wish that this matter should be carried out. I need not go over the particulars mentioned in the circular as to how they will stand; but we have taken, as you will see there, a customer's view of the matter as well as a shareholder's. We think that with the share capital and reserve fund of nine millions the most exacting and suspicious customer must be satisfied. We cannot for one moment suppose that there can be the shadow of a doubt in the mind of anybody that the capital of the bank is not abundantly sufficient for every possible emergency. We think the plan we have adopted is a good middle course as between the interests of the shareholders and the customers. We think it is not more than the shareholders should be asked to bear, considering the vital importance to them of keeping up the credit of this institution, which is, and I hope always will be, such a prosperous one. Without that we should have been sorry to bring this matter before you, and I hope it will have your unanimous and hearty concurrence. There is one remark I might make upon this point. Since it has been known to the public that we are about to take this step, I know of wealthy men who have bought shares in the concern; they would not look at the shares before, because of the unknown liability which they might by possibility be

subjected to. But, as I have said, they have since bought shares, and I believe we shall find that process continue, and that many will follow their example. I should like now, having told you what we propose to do, to tell you (because it is an important matter to consider) what other banks of the same character are doing. It seems that there are five out of the seven unlimited London banks in London who have determined to adopt practically the same course which we are recommending to you; and they are the London and Westminster, the National Provincial Bank of England, the City Bank, the Capital and Counties Bank, and ourselves; and I believe there are some twenty similar institutions in the country, altogether making up very large balances, who have agreed to adopt the same plan. I am sorry to say two of the largest London banks are, at the present time, determined to wait. Now that seems to me an odd sort of policy. What are they waiting for? Some say there will be further and more pleasing legislation for the banks to consider, and that they will be able to make themselves limited without saying so. I think, myself, the hope of any further legislation upon this subject, from what I have seen, is altogether a delusion. There is not the slightest chance of it. I remember upon one occasion the Chancellor of the Exchequer, at one of our interviews, put the matter, as I thought, very plainly. He said: 'All you gentlemen wish for liability?' Well, of course the answer was 'Yes'; but he said, 'Is there anybody here who wishes to be limited and does not wish to say so?' Nobody would confess that was the case. But it is the proper way of looking at it. It seems to me that it may be an extremely prudent and cautious thing to wait, and there may be a chance that the course we are taking may get us into a mess, and our neighbours may be out of it. But I do not myself think it is so; and I have a very strong impression that the only effect of their waiting will be that they will afterwards have to follow the example of the five banks who have already adopted this plan. There is just one other alternative. From what I have heard from shareholders in those banks, I am perfectly certain that this will be the fact—that shareholders will sell their shares in an unlimited concern, and will invest their money in banks where they can see an end of the liability for which they can possibly be called upon. Now I think, myself, and I believe all my colleagues think so too, that this Act is a most useful and suitable one; and, personally, I cannot see how it could be altered advantageously.

VIII

With the banking failures of the late 'seventies and the legislation consequential upon them, the formative period of English joint stock banking comes to an end. Thereafter there was still expansion of scale and changes of inner structure, but the era of experiment and legislative fumbling was over. Henceforward it was clear that the destinies of banking were to be in the hands of the joint stock banks: their depositors would be protected, not by unlimited liability but by the steady application of banking principles which had been painfully learned in previous decades—by the creation of large visible and invisible reserves, and by the avoidance of types of business which locked up funds for too long a period, or which involved too great a concentration of liabilities in a particular direction.

The most characteristic features of the late Victorian and Edwardian days are the comparative absence of banking failures, the growing feeling on the part of the banks that they must act together in emergencies, and the growing emancipation of the banks from local vicissitudes by the extension of their network of branches, so as to secure both a maximum of distribution of risk and a maximum of deposits.

The 'amalgamation' movement—one may date its modern phase from 1896 when Barclay's Bank¹ in its modern form was founded—is only one aspect, though perhaps the most obvious, and therefore the most commented upon, of an integrated series of changes. The evolution of banks, with national rather than merely local affiliations and interests, mitigated the worst abuses of competition, freed the small provincial banks from

¹ Matthews and Tuke, *History of Barclays Bank, Ltd.*, 1926, p. 1. The bank, as a joint stock concern, dates 'from the amalgamation in 1896 of twenty private banks, which were then doing business in various parts of England'.

dependence upon the London discount market, and thus helped to revolutionize the relations between the banking system and the bill market, which the decline in the inland bill, the growing popularity of the overdraft, and the emergence of the international bill accentuated. The change of scale and structure affected not only the peripheral relations of the system, but also its very nerve centre.

The change of attitude towards joint stock banking is well illustrated by the events of the Baring crisis of 1890: itself a direct result of the 'Great Depression', the falling price level of the late 'seventies and 'eighties, in combination with the growth of foreign investment; for a period of falling prices always affects agricultural states more than it does industrial, and brings their budgets into speedier disarray. In this price situation is to be found the ultimate explanation of the difficulties of the Argentine Republic, which reacted so disastrously upon the position of the house of Baring, the leading merchant bankers of the day, and the custodians of large sums of money on Russian Government account.

The firm wisely appealed to the Bank of England, which called in to its aid the leading private and joint stock concerns of the country and organized, with their assistance, a 'guarantee syndicate'. The magnitude of the guarantee at once assuaged alarm, and the gradual liquidation of the frozen assets of the firm could thus be undertaken. Although, in general, the relations between the Bank of England and the joint stocks banks of the country remained of a somewhat distant nature down to the period of the war, the manner in which the Baring crisis was handled shows a distinct breach with tradition. The crisis itself was to have marked effects on banking practice; it led to a renewed discussion of the cash position of the banks, of the possibility of a £1 note issue, and, within a relatively short period of time, to the practice of issuing monthly statements.

The London and Westminster Bank, the London and County Bank,¹ and Parrs Bank,² all gave their guarantees—the first and second to an amount of £750,000, Parrs to the amount of £150,000. The minutes for the first-named banks contain long accounts of the crisis and of the measures taken to avert disaster. The London and Westminster Bank's record in its minute book runs as follows:³

At a special (meeting) of the Board held on Saturday 15 November 1890 at which were present Mess^{rs} Johnston (in the Chair), Holland, Gadesden, Norman, Ashton, Sir H. Robinson, Dobree, Benecke, Batten, Sanderson—

Mr. Dobree reported that on the invitation of the Governor of the Bank of England, he, together with Mr. Astle, had attended a meeting at that Bank with reference to the affairs of Mess^{rs} Baring Bro^s & Co.

There were present at the meeting the Gov^{or} & D. Gov^{or} of the Bank of E. & representatives of the L. & W. Bank, the London J. St Bank, the Union Bank of London, the Nat^l Prov^l Bank, & the London & County Bank.

The Gov^{or} of the Bank of E informed the meeting that Mess^{rs} Baring had applied to the Bank for assistance. The accounts of the Firm had been carefully gone into so far as time permitted by competent persons.

The liabilities of the Firm amounted to about 20 millions stg, of which 15 millions were on acceptances & 5 millions on Deposits—half of these deposits were on account of the Russian Gov^t, & it was intimated that these would not now be withdrawn.

The available assets amounted to abt 8 Millions of discountable Bills & 1 Million of Cash—the remaining assets were locked up in various securities wh^{ch} could not at the moment be realised; & in addition to these there was the private property of the Partners.

Entering these properties at a very low figure, & assuming the assets to be realised at current prices, the Estab^t showed a surplus of about Four Millions.

The Governor informed the meeting that in order to avert the imminent suspension of payment by Mess^{rs} Baring, & the disastrous

¹ *v.* London and County Bank Board Minutes, 18th and 25th November 1890.

² Parrs Bank Board Minutes, 28th November 1890.

³ *Private Minute Book*, under date of 15th November 1890.

shock to credit wh^h their failure would undoubtedly create, the Bank of E. [had] consented to afford the required assistance, & in furtherance of the arrangements the following Guarantees had been given :

Bank of England	£1,000,000
Mess ^{rs} Glyn	500,000
Mess ^{rs} Rothschild	500,000
& Sundry others to a total of abt	1,500,000

and he asked the representatives of the Banks present what amounts they were prepared to guarantee on behalf of their respective institutions—

The following guarantees were then given

L. & W. Bank	£750,000
London & Co. Bank	750,000
Nat ^l Prov ^l Bank	750,000
Union B ^k of London	500,000
London J. St. Bank	500,000

The Governor then informed the meeting that other Banks & financial Institutions would be asked to join in the Guarantees—that the whole arrangements financial & otherwise would be carried out by the Bank of E—that that Institution had received the assurance of L^d Salisbury & Mr. W. H. Smith that the Government would afford the Bank all & every assistance in their power—& that the Guarantors would not be called upon for any cash assistance—The Governor further intimated that Mess^{rs} Rothschild had undertaken to give their valuable assistance towards bringing the affairs of the Argentine Republic into a satisfactory condition.

After having Mr. Dobree's statement it was resolved unanimously

That the Guarantee of £750,000 tendered by Mr. Dobree on behalf of the L. & W. Bank be approved and confirmed.

(Entered by
Bon^y Dobree)

CHARLES EDWARD JOHNSTON

The form of guarantee following, which was common to all the guarantors, reads as under:

In consideration of Advances which the Bank of England have agreed to make to Messrs Baring Brothers & Co., to enable them to discharge at maturity their liabilities existing on the night

of the 15th November 1890, or arising out of business initiated on or prior to the 15th November 1890.

We, the undersigned, hereby agree, each Individual, Firm or Company, for himself or themselves alone, and to the amount only set opposite to his or their names respectively, to make good to the Bank of England any loss which may appear whenever the Bank of England shall determine that the final liquidation of the liabilities of Messrs Baring Brothers & Co. has been completed, so far as in the opinion of the Governors is practicable.

All the Guarantors shall contribute rateably, and no one Individual, Firm or Company, shall be called on for his or their contribution without the like call being made on the others.

The maximum period over which the Liquidation may extend is three years, commencing 15th November 1890.¹

Including the amounts guaranteed by the Alliance Bank (£250,000) and the Consolidated Bank (£200,000), the

¹ In March 1893 a new Guarantee was signed to be continued till 15th November 1894 with the option of renewing for another twelve months—an option which was in fact exercised (*v.*, for example, London and County Bank minutes, 30th October 1894):

‘In consideration of advances made and to be made by the Bank of England to Messrs Baring Brothers & Co. to enable them to discharge at maturity their liabilities existing on the night of the 15th November 1890, or arising out of business initiated on or prior to the 15th November 1890.’

[Then follows the new guarantee, which was identical with that of 1890, but continues thus:]

‘The period over which the liquidation may extend is down to the 15th November 1894, but the Governors may by notice in writing sent to the respective Guarantors at any time before that date extend the period to the 15th November 1895. This guarantee shall take effect from the date hereof and shall be in substitution for the guarantee of November 1890.’

The amount called for under the new guarantee was one-fourth of the original amount guaranteed in each case. Similar arrangements were made in the case of the London and Westminster Bank. (*v.* Board Minutes, 17th February 1893—agreement to continue for a maximum of two years from 15th November 1893; 29th March 1893—agreement to guarantee £187,500; 31st October 1894—guarantee extended till 15th November 1895.)

total liability undertaken by the banks which are now constituent parts of the Westminster Bank amounted to at least £2,100,000.

IX

After the Baring crisis had been successfully surmounted, English banking remained free from any major disturbance for nearly a quarter of a century.

With the outbreak of the Great War a new era began, bringing with it problems of a different quality from those with which English bankers had had to concern themselves for a century. In 1896 came the turn of the price trend; the flood of new gold from South Africa, the Klondyke, Siberia, Canada and elsewhere, made possible not only a rise of prices of about two per cent per annum, but also brought into being the international gold standard, for the characteristic feature of the late Victorian and the Edwardian ages is the internationalization of economic life. The 'tone' of City life is given by the international finance house to an extent unprecedented before or since.

The mere fact that this is so cannot be explained merely in terms of 'pure' economic factors—of a continually growing world population demanding capital equipment, and of a growing national income making possible continued reinvestments in overseas securities. The sense of security which made the whole development possible would have been lacking had it not been developed and nourished by the ever-increasing solidity and strength of the British banks as a whole. Possibilities which were well within the experience of a previous generation of bankers and depositors had by 1914 become a matter of tradition: it had become absurd to fear that the turn of the tide from a period of expansion to one of depression must necessarily be accompanied by joint stock bank failures, by a run on the banks for gold, and by the fear that, if the Bank of England found it necessary to apply to the Government of the day for

permission to break the Act of 1844, that permission might be arbitrarily withheld.

It is true that English banks were not without their anxieties. The rise of prices, accompanied as it was by a vast demand for capital for overseas expansion, raised the effective long-term rate of interest and involved the banks in heavy losses in the shape of depreciation of their large holdings of gilt-edged securities. The trade cycle had not been eliminated; on the contrary, the centripetal influence of the United States first began to be realized during and after the American banking panic of 1907. Minor English banking failures—the Birkbeck Bank is a case in point—served to remind men that the ‘mystery and craft of banking’ demanded a severe apprenticeship and a rigid adherence to the rules of safety and prudence. The very concentration of current interest upon the international side of the money market forced the joint stock banker to concern himself with the mysteries of foreign exchange and foreign credits. It is in this period that the joint stock banks began to invade by means of their ‘Foreign Departments’ and, in some cases, their foreign subsidiaries, what had been hitherto the jealous preserve of the merchant bankers and the ‘Foreign and Colonial Banks’.

But, in general, the task of the English banking world was that of internal consolidation; the extension of the network of branches under the pressure of competition and of shifts in the distribution of the population; the beginning of the building up of ‘nationally’ organized banks by the process of amalgamation.

These were problems which the accumulated experience and the practical good sense of English bankers were perfectly capable of meeting. They were to prove themselves capable of mastering even more vital problems in the two decades which followed the declaration of war. The old order, as we now see, was shattered: but its history remains to be told.

APPENDIX I

Extract from the Report of the Secret Committee of the House of Commons on Joint Stock Banks, 1836:¹

Your Committee will now call the attention of The House to some few facts which illustrate the present system.

Subject to the local restrictions imposed for the protection of the privilege of the Bank of England, it is open to any number of persons to form a Company for Joint Stock Banking, whether for the purpose of deposit, or of issue, or of both.

1. The Law imposes on the Joint Stock Banks no preliminary obligation beyond the payment of a license duty, and the registration of the names of Shareholders at the Stamp Office.

2. The Law does not require that the Deed of Settlement shall be considered or revised by any competent authority whatever, and no precaution is taken to enforce the insertion in such Deeds of clauses the most obvious and necessary.

3. The Law does not impose any restrictions upon the amount of nominal Capital. This will be found to vary from 5,000,000 *l.* to 100,000 *l.*, and in one instance an unlimited power is reserved of issuing shares to any extent.

4. The Law does not impose any obligation that the whole or any certain amount of shares shall be subscribed for before banking operations commence. In many instances Banks commence their business before one-half of the shares are subscribed for, and 10,000, 20,000, and 30,000 shares are reserved to be issued at the discretion of the Directors.

5. The Law does not enforce any rule with respect to the nominal amount of shares. These will be found to vary from 1,000 *l.* to 5 *l.* The effects of this variation are strongly stated in the Evidence.

6. The Law does not enforce any rule with respect to the amount of Capital paid up before the commencement of business. This will be found to vary from 105 *l.* to 5 *l.*

7. The Law does not provide for any publication of the liabilities and assets of these Banks, nor does it enforce the communication of any balance sheet to the Proprietors at large.

8. The Law does not impose any restrictions by which care shall be taken that dividends are paid out of banking profits only, and that bad or doubtful debts are first written off.

¹ B. P. P. 1836, vol. ix.

9. The Law does not prohibit purchases, sales and speculative traffic on the part of these Companies in their own stock, nor advances to be made on the credit of their own shares.

10. The Law does not provide that the Guarantee Fund shall be kept apart and invested in Government or other securities.

11. The Law does not limit the number of branches or the distance of such branches from the Central Bank.

12. The Law is not sufficiently stringent to insure to the Public that the names registered at the Stamp Office are the names of persons *bond fide* Proprietors, who have signed the Deed of Settlement, and who are responsible to the Public.

13. The provisions of the Law appear inadequate, or at least are disregarded, so far as they impose upon Banks the obligation of making their notes payable at the places of issue.

All these separate questions appear to Your Committee deserving of the most serious consideration, with a view to the future stability of the Banks throughout the United Kingdom, the maintenance of Commercial Credit, and the preservation of the Currency in a sound state.

APPENDIX II

(A)

CONFIDENTIAL.

*To the Directors of the
London and Westminster Bank*

*5, Waterloo Place, Pall Mall,
January 18th, 1839.*

GENTLEMEN,

AT a meeting of the Committee of Deputies of the Joint Stock Banks, held on Tuesday, the 8th instant, the following Resolution was unanimously passed:—

‘That a Sub-Committee be appointed to prepare a letter to the Government—to enclose a copy of such letter confidentially to every Joint Stock Bank for their consideration—and to submit the letter and the observations of the Banks to the next meeting of the General Committee, to be held on the 29th instant. And that Mr. Stewart, Mr. Finch, M.P., Mr. Walker, Mr. Marshall, and Mr. Gilbert, be requested to constitute this Sub-Committee.’

In compliance with the above Resolution, I now enclose the copy of a letter prepared by the Sub-Committee, who will feel obliged by any suggestions you may propose. In case I should not hear from you on, or before the 29th instant, the Sub-Committee will conclude that the letter meets your approbation.

I have the honour to be,

GENTLEMEN,

Your most obedient Servant,

OLIVER VILE,

Honorary Secretary.

(B)

TO THE
RIGHT HONORABLE LORD VISCOUNT
MELBOURNE,
FIRST LORD OF HER MAJESTY'S TREASURY, &C. &C.

London, January 18th, 1839.

MY LORD,

WHEN the Committee of Deputies of the Joint Stock Banks had the honour of an interview with your Lordship, the Chancellor of the Exchequer, and the President of the Board of Trade, your Lordship expressed a wish that the Committee would lay before Her Majesty's Government, those amendments which the Committee deemed desirable with regard to the laws affecting such Banks.

With this object in view, the Committee addressed a circular letter to the Directors of every Joint Stock Bank in England, Wales, and Ireland, soliciting information as to any defects in the law which had been experienced in the working of their respective Banks. From the replies which have been received to this circular, and from other sources, the Committee have obtained information sufficient, as they think, to enable them to lay before your Lordship, the opinions generally entertained by the Joint Stock Banks as to the practical defects of the law.

1. The Banks are unanimous in desiring some alteration of the law of Partnership. It is not extraordinary that laws originally framed with reference to partnerships of only a few individuals should be found inapplicable to partnerships of several hundred persons. In the course of last Session the attention of Government was called to two points of vital importance, One relating to clerical members of Joint Stock Banks—the other to the power of such Banks to sue their own shareholders; and, in both cases, the Banks have to acknowledge the promptitude of Her Majesty's Ministers in proposing and carrying through Parliament the remedial measures that were necessary. The Act relating to clerical members of Joint Stock Banks has since been rendered permanent

by the Benefices or Plurality Act (1 & 2 Vict. cap. 106.) The other Act, (1 & 2 Vict. cap. 96.) enabling Joint Stock Banks to sue their own shareholders will expire in the next Session of Parliament. The chief points to which the Banks have requested the attention of the Committee are the following, viz.:—First, That the law should render permanent the Act 1 & 2 Vict. c. 96, enabling Joint Stock Banks to sue their own members. Secondly, That the law should enable Joint Stock Banks to prosecute criminally any shareholder who shall be guilty of a fraud upon the Company. Thirdly, That the law should permit any shareholder to appear as an evidence in a cause in which the Company may be either plaintiff or defendant, or in any criminal action at the suit of the Company. Fourthly, That the law should declare that no shareholder who is not duly authorized, shall have the power of binding the Company, and should render it penal to make the attempt. Fifthly, That the law should declare that legal notices shall be valid only when served on the principal officer of the Company, or addressed to him officially at its head office. Sixthly, That the law should declare that no shareholder shall, *as such*, be liable to the operation of the laws of Bankruptcy. Seventhly, That the law should permit a Trustee to a Bankrupt's estate to lodge the money of the estate, with the consent of the creditors, in a Joint Stock Bank, in which the Trustee may be a shareholder. There are some other minor points connected with the law of partnership with which the Committee will not now trouble your Lordship, but which they will be prepared to state when Her Majesty's Government shall determine upon introducing the subject to the notice of the legislature.

2nd. The Banks complain of some uncertainty of the law with regard to liens upon shares. In most of the deeds of settlement, there is a clause which empowers the Bank to hold the shares as security for any debt due by a shareholder. This practice is sanctioned by the highest legal opinions, and the Committee entertain no doubt of its validity. But an opinion has been given to the contrary, and the Banks think it desirable that their power to maintain such liens, whether provided for in the Deed or not, should be placed beyond dispute.

3rd. Different legal opinions have been given with regard to the amount of Stamp Duty required upon the transfer of shares. Some are in favour of an *ad valorem* Stamp duty—others of an agreement Stamp. As each Bank has followed its own legal adviser, the

practice of the Banks varies in this respect, and it seems desirable that the law should be rendered more explicit on this subject in favour of the agreement Stamp.

4th. In addition to these defects of the law common to all Joint Stock Banks, those Banking Companies that are located in London, and within sixty-five miles, complain that the Legislature has not given them the power of suing their debtors, nor of being sued by their creditors through the medium of their public officers. In making this complaint, they are sanctioned by the House of Commons, who, by large majorities, passed a Bill in 1834, for giving this privilege to one of the London Joint Stock Banks. They complain also, that the recent interpretation given to the doubtful reading of an Act of Parliament has deprived them, at present, of the power of accepting Bills drawn at less than six months after date. As the Act of Parliament, passed in 1833, expressly authorized Banks having more than six partners to carry on the business of Banking in London, it would appear reasonable to infer, that the Act was intended to authorize all the usual modes by which this business is carried on, and the accepting Bills drawn at shorter dates than six months, is a part of the business of London Bankers. If, however, it be the law, that any Bank of only six partners has a privilege which is denied to a Bank of six or eight hundred partners, it is certainly a law that requires amendment.

5th. The Joint Stock Banks in Ireland are subject to peculiar grievances. No Banks beyond fifty miles from Dublin can either draw or accept Bills for a less sum than fifty pounds, nor for any sum upon demand; and those Banks that are located in Dublin, or within fifty Irish miles, cannot either accept or draw Bills at all. Hence, a Dublin Joint Stock Bank cannot accept the Bills of any Bank at Belfast, or elsewhere, to whom it may be Agent, nor can it draw Bills upon its own Agent in London. Another grievance is, that these Banks cannot sue and be sued by their public officer in the same way as Banks located beyond fifty miles from Dublin; but, like those in London, they are obliged to have recourse to the expedient of appointing Trustees. Several of the provisions of the old Banking Act, passed in Ireland many years ago, are also supposed to be still in force, and applicable to Joint Stock Banks. The Bank of Ireland too has the exclusive privilege of issuing Notes in Dublin and within a circle of fifty miles. These grievances, that press so heavily upon the Irish Banks, appear more galling when compared with the state of the law with regard to Joint Stock

Banks in Scotland; and it seems reasonable and desirable, that the law in both countries should be rendered the same.

Several of the Banks have made other suggestions which the Committee think may be adopted with advantage to the Banks and the public. But the Committee have determined to mention nothing that shall have the appearance of asking for privileges. The Committee do not ask for privileges—they complain of grievances—not of theoretical but of practical grievances; and they beg to state to your Lordship, that they think it no small grievance to be kept in a state of suspense. They will, therefore, feel greatly obliged if Her Majesty's Government will, at the commencement of the Session, either bring the law affecting Joint Stock Banks under the notice of the Legislature, or state explicitly that they do not intend to originate any measures upon the subject.

On the part of the Committee of the Joint Stock Banks,

I have the honour to be,

MY LORD,

Your Lordship's most obedient Servant,

P. M. STEWART,

Chairman.

CHAPTER VI

THE PROGRESS OF THE LONDON AND WESTMINSTER BANK

I

THE BACKGROUND

THE London and Westminster Bank remained throughout its history a purely London institution, though this is not the same thing as being a bank possessing only London interests. On the contrary, the London and Westminster Bank possessed important provincial and foreign connexions, and from the beginning cultivated relations with private customers outside the London area.

But the fact of being a London bank did imply that the general growth of the bank's business was liable to be greatly affected by two circumstances: the growth of London, and the growth of banking competition in London. Both these factors, of course, were mutually dependent upon each other, though the general development of the economic life of the London area cannot possibly be detached from the main stream of national development. Because Great Britain's population and wealth expanded, London expanded; at the same time the improvement of communication involved a continuous increase in the degree of centralization in finance, business, and administration, which accentuated the significance of the metropolis, and with it of London's banking institutions.

The branches of the bank were confined, even at the date of the amalgamation with the London and County Bank, almost exclusively¹ to the area comprehended within

¹ The exceptions were the branches at Hornsey, Cricklewood, and Ealing. See map below, p. 291.

the administrative County of London, and even within this area were largely confined to the portion of London officially designated as the 'Central Area'.

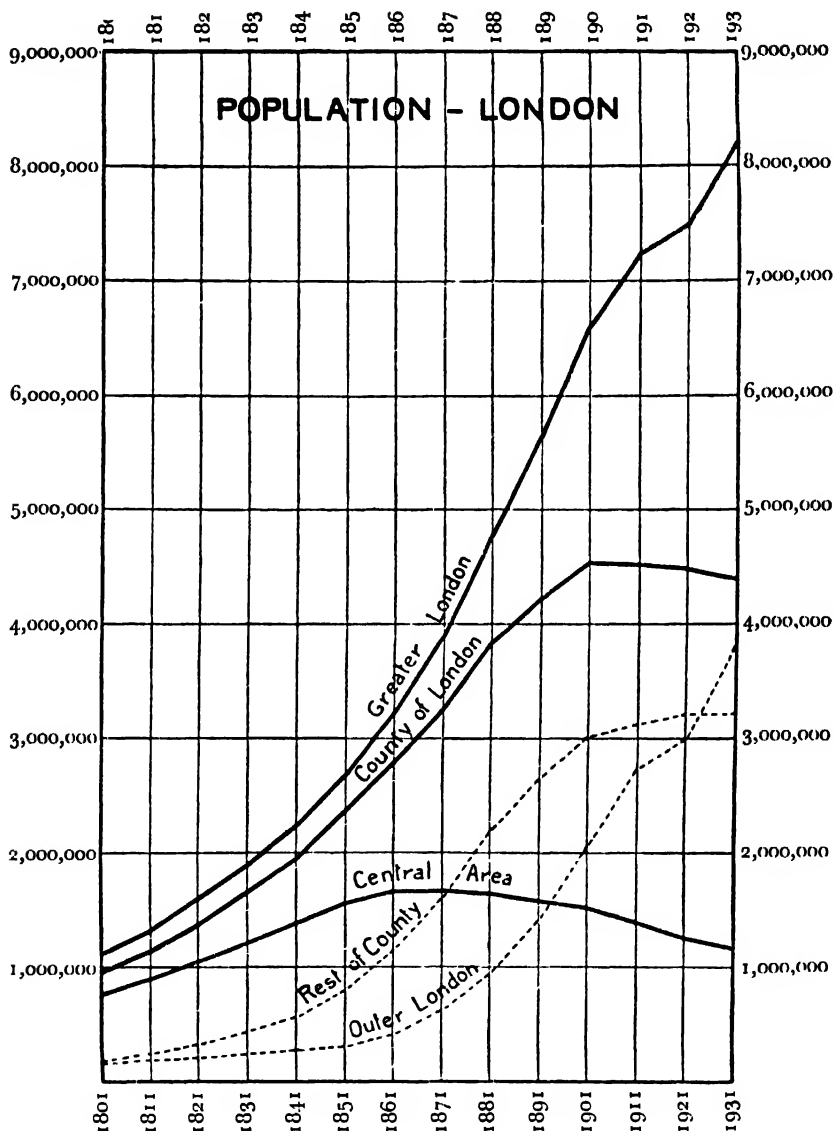
The population of the 'Central Area' in 1831 was approximately 1·219 millions. It continued to expand for forty years, and at the 1871 census was 1·667 millions. Thereafter a decline began; in 1901 it was 1·529 millions, almost exactly the figure for 1851; in 1911 it was 1·393 millions, and in 1931 it had fallen to 1·165 millions. The population of the County area continued to increase for three decades after that of the 'Central Area' had begun to diminish, reaching its maximum in 1901 with a population of 4·536 millions, an increase of 2·871 millions over the census figure for 1831.¹

It was these immense changes in population, coupled with the striking changes in social habits, which made it worth while for the London banks as a whole to increase their network of branches, although this was much slower in developing than might at first sight appear. In 1865, for instance, out of nineteen banks in the London area with any branches at all (the great majority possessed none), more than half possessed only two establishments (including head office), three possessed 4 establishments, one bank had 5 establishments, one 6, one 8, and one 20, giving for nineteen banks only a total of 75 establishments.² Increasing competition meant, up to a time almost within living memory, more an increase in the number of separate banks than in the number of separate branches maintained by each bank.

The first wave of competition followed the successful foundation of the London and Westminster Bank itself. By 1840 there had been founded the London Joint Stock Bank, the Surrey Kent and Sussex, later re-named the

¹ *London Statistics*, Vol. 38, p. 24.

² Based on the lists of bankers in F. G. Hilton Price, *Handbook of London Bankers*, 2nd Edition, 1890-1891, p. 310.



Note: The central area includes the City of London, the City of Westminster, and the metropolitan boroughs of St. Marylebone, St. Pancras (south of Euston Road), Holborn, Finsbury, Shoreditch, Bethnal Green, Stepney, Southwark, Bermondsey, and Lambeth (north of Kennington Lane), an area of 12,268 acres (about 19 square miles). The 'Rest' of County = County of London minus the central area, and 'Outer London' = Greater London minus the County area. (Map taken from *London Statistics*, Vol. 38, 1933-34.)

London and County Bank, both founded in 1836, followed by the Union Bank of London in 1839, and the Commercial Bank of London in 1840. Two smaller banks were also founded during the same period of time, but these were not fated to survive the difficulties of their early years—the Borough of St. Marylebone Bank (1838–1841) and the Metropolitan Bank (1839–1841) in Pall Mall.

A second wave of competition was to result from the joint stock legislation of the 'fifties. The ill-fated Royal British Bank had been established under a charter from the Crown in 1849, and it had built up, taking contemporary circumstances into account, a fairly large network of branches. The City Bank and the Bank of London were founded in 1855, as were the Unity Joint Stock Bank, and the London and Eastern Bank,—one of the worst examples of the gross financial scandals of that troubled decade:¹ in 1856 there followed the Western Bank of London. Of these six banks only the City Bank was destined to survive for any length of time, becoming a constituent member of the organization then known as the London City and Midland Bank in 1898.

A third and much more serious era of competition began with the passage of the Companies Act of 1862. So far as the situation in London is concerned, it is necessary to distinguish between various groups of banks. Firstly, there were those banks which were destined to imitate the example of the defunct Western Bank of London, and to exploit the banking possibilities of various London districts. Of these, undoubtedly the most successful was the East London Bank, converted into the Central Bank of London in 1869, and later to be one of the means by which the Birmingham and Midland Bank was to break into the circle of London banking institutions. An obvious imitator was the West

¹ *v. Morier Evans, Facts, Failures, and Frauds*, pp. 596–630; for the Royal British Bank, see pp. 268–390.

London Commercial Bank (1866), absorbed by the London and South Western Bank in 1887.¹

A second important group was constituted by those banks which, whether intended to do business primarily in London or in the provinces, thought it desirable to copy the successful example of the London and County Bank, and to stress the London connexion by including that word, or a synonym, in the title. In 1862 there appeared the London and South Western Bank, and the London and Middlesex Bank. The London and South Western Bank, with its head office in Regent Street, was originally intended to develop banking in the south and west of England, and had hoped to develop close relations with the Metropolitan and Provincial Bank,² founded in 1861. These intentions not being carried out, the London and South Western Bank became the pioneer of branch banking in London suburbs as contrasted with the 'Central Area' of London.³ A year later there followed the short-lived London and Northern Bank, and during the same decade the London and Suburban Bank in the Fulham Road had a somewhat inglorious career.

A third group of banks exploited the 'regional' principle, as well as pursuing banking in London. The Metropolitan and Provincial Bank has already been referred to: it changed its name to the Metropolitan Bank in 1867, became the Royal Exchange Bank in 1879, and was absorbed by the Birmingham Banking Company in 1889. In 1864 the Provincial Banking Corporation was formed by an amalgamation between the East of England Bank and a private firm of bankers in Kent: in 1865 it absorbed the Bank of Wales and in 1870 it assumed the title of the London and Provincial Bank, having at that time three London offices.

¹ The proposed Westminster and Southwark Bank (*v. Bankers' Magazine*, 1863, p. 389) was obviously an attempt to make use of the goodwill implied in the title of the London and Westminster Bank.

² *Bankers' Magazine*, 1863, p. 450.

³ Matthews and Tuke, *History of Barclays Bank*, pp. 351-359.

Like the London and South Western Bank, this bank also relied largely on its suburban connexion, though its general sphere of operations was wider.^{1 2}

A fourth group of banks was constituted by those with some general title, not throwing any light upon the area in which it was intended to operate. Among these were the Alliance Bank of London and Liverpool, formed in 1862 with influential Liverpool names upon the board, the Imperial Bank,³ also formed in 1862, and the Consolidated Bank, formed in 1863 by an amalgamation between the resuscitated Bank of Manchester and the eminent London private banking firm of Heywood, Kennards & Co., an amalgamation which absorbed the equally well-known firm of Hankey & Co. shortly afterwards.

This large increase in the number of banks is in itself a partial explanation of the lack of success which marks the career of so many of them; for excessive competition tended to make each individual bank small, to cause extravagant rates of interest to be paid upon deposits, and to prevent the exercise of due discrimination in the selection of borrowers. Some of the banks suffered from incompetent and dishonest directors; from undue promotion and other expenses; from losses made by dishonest officials or incompetent managers. It is often overlooked that to establish high standards of competence and rectitude as a tradition of banking took time—and that the working of inspection and control, to minimize the danger of heavy losses resulting from long and carefully concealed speculation, was not yet perfected. Moreover, banks were exposed to ‘runs’ by the public, and the relative smallness of the banks made this danger a very real one.

¹ Matthews and Tuke, *History of Barclays Bank*, p. 347.

² The attractiveness of associating the idea of London with the title of a bank persisted until the ‘seventies, when, e.g., the London and Yorkshire Bank was founded in 1872.

³ Absorbed by the London Joint Stock Bank in 1893.

At the same time the technique of credit control had not yet achieved its later perfection, and the transition from a period of up-swing to a period of down-swing was much more violent than it became at a later date. If it is remembered that, during the whole period covered by the developments sketched above, the private banking firms of London were still in an extremely powerful position, the impression that competition must have been intense will be strengthened.

At a somewhat later stage a new element of competition emerged in the form of the entry of powerful provincial competitors into the field of London banking.¹ The acquisition of powerful London houses by the Consolidated Bank pointed the way that others were to follow. In 1864 a fatal blow was struck when the London and Westminster Bank acquired the London house of Jones Loyd & Co. In 1866 the National Provincial Bank of England decided to sacrifice its valuable note circulation in order to compete in London. In 1878 the Capital and Counties Bank—which began its career as the Hampshire Banking Company—opened in London. In 1884 Lloyds Banking Company acquired the business of Messrs Barnetts, Hoares & Co., and Messrs Bosanquet, Salt & Co.² In 1891 Parr's Banking Company became a London firm by taking over Messrs Fuller, Banbury, Nix & Co., and in the same year the Birmingham and Midland Bank acquired the Central Bank of London and Messrs Lacy, Hartland, and Woodbridge, and became the London and Midland Bank.³ In 1891, also, the process of consolidation among the private bankers

¹ 'Provincial' competition, if that term may be held to include Anglo-Irish banking, began when the National Bank started a vigorous development of its London branches. In 1865 this bank had five London branches apart from its head office in Old Broad Street—only two less than the London and Westminster Bank at the same date.

² *Lloyds Bank Limited, Its History and Progress*, London, 1914.

³ Crick and Wadsworth, *A Hundred Years of Joint Stock Banking*, p. 313. *et seq.*

began when the firm of Prescott & Co. was founded as a limited liability company,¹ to be followed in 1896 by the formation of Barclay's Bank—the London nucleus of this organization being Messrs Barclay, Bevan, Tritton, Ransom, Bouverie & Co.²

The significance of these developments cannot fail to be appreciated. The day of the private banker was almost over, but so was that of the purely local and regional joint stock bank. Joint stock banking upon a 'national' basis was in sight: all that was necessary to force the movement forward was an intensification of personal initiative on the one hand, and a change in the general economic situation on the other.

II

THE 'COUNTRY CONNEXIONS' OF THE LONDON AND WESTMINSTER BANK

In the second annual Report is a short paragraph to the effect that 'The total number of Shares issued on the 31st of December, 1835, was 17,818, and the Directors have to acquaint the Proprietors that in the course of the present year they have increased that number by the grant of 2,500 Shares at par to large banking establishments in the country, with a view to strengthen and extend the connexions of the Bank'. One of Gilbert's first duties on joining the staff of the bank had been to visit country banking establishments and, as he was later to complain to the Directors, his zeal in extending the connexions of the London and Westminster Bank had involved him in heavy personal pecuniary losses. The *Private Minute Book*, kept

¹ v. Hartley Withers, *The National Provincial Bank, 1833-1933*, pp. 79-80, for the details. Prescotts were absorbed by the Union of London & Smiths Bank in 1903—a year after Messrs Smith, Payne, and Smiths had been taken over.

² Matthews and Tuke, *op. cit.*, p. 4 *et seq.*

with great fullness of detail in the early years of the Bank, throws a flood of light upon the relations of the London and Westminster Bank with other banks. A very important aspect of banking history which has received little attention is thereby revealed.

So long as banks continued to be largely local in their sphere of operations, 'correspondent' relations, as they would be called in the United States of America, with a metropolitan bank were a necessity. Bills would be coming forward for collection or discount, local business men would require drafts on London to meet debts due there, and so the local bank would require a London house to draw upon in the case of time payments, and would possess a London balance upon which to issue cheques and into which to pay the proceeds of collections and discounts. If the London 'agent' were a clearing bank, the facilities offered to the country connexion would naturally increase, but, in any case, in periods of pressure the local bank would look to its London correspondent for temporary assistance and for facilities such as sending cash to the country. Most, if not all, of the phases of these normal relations are illustrated in the surviving manuscript sources alluded to above.¹

¹ The terms upon which the London and Westminster Bank was prepared to act for country bankers are very succinctly stated in the following letter of the General Manager to the City and County Banking Company of York, dated 14th March 1834 (*Sundry Letters*, 1833/6, p. 101):

'I am desired by the Directors to acknowledge receipt of your letter of the 12th instant, and to send you the terms upon which they are willing to take the accounts of Country Bankers, viz.: $\frac{1}{8}$ per cent Commission on the Debit Side of the Account. No interest to be allowed on the Current balance. A transfer may be made, of as much of the balance as the parties please, to a Deposit account, upon which 2 per cent interest will be allowed, provided it remain three months or upwards:—and—No commission will be charged on the amount of sums so transferred—Advances or discounts must be made subject to special agreement at the time they may be required.'

A very large number of banks¹ are alluded to, even in the early years of the London and Westminster Bank, although regular correspondent relations arose only in certain cases. In certain other cases relationships were refused, and this group may be disposed of in the first instance. It includes the Surrey Kent and Sussex Bank, later renamed the London and County Bank and therefore a leading competitor of the London and Westminster Bank, the Commercial Bank of England in Manchester, the Phoenix Banking Company of Liverpool, and the Nottingham and Nottinghamshire Banking Company, though here the agency was ultimately taken.

The reasons for refusal illuminate certain phases of the banking situation of the 'thirties very clearly. In the case of the Surrey Kent and Sussex Bank 'Mr. Goatley attended to make proposals on behalf of the Kent Surrey and Sussex Bank who desire to open a discount acct., but which the Committee did not appear disposed to grant, because it was required that a pledge should be given that under all

¹ Among the banks mentioned are : The Agricultural and Commercial Bank of Ireland, Birmingham Banking Company, Bury and Heywood Banking Co., Cheltenham Bank, Chesterfield Bank, York City and County Bank, Commercial Bank of England (Manchester), the East of England Bank, the Eastern Bank of Scotland, Flintshire Banking Company, Herefordshire Banking Co., the Hinckley Bank, Imperial Bank of England (Manchester), the Surrey Kent and Sussex Bank, the Leamington Bank, the Leeds and West Riding Bank, the Leicester Bank, the Lichfield Tamworth and Rugeley Bank, the Manchester and Liverpool District Bank, Monmouth and Glamorgan Bank, the National Bank of Scotland, the National Provincial Bank, the Newcastle Bank, the North and South Wales Bank, the West of England and South Wales Bank, the Northern and Central Bank, the Nottingham and Notts Bank, the Oldham Bank, Phoenix Banking Co. (Liverpool), the Royal Bank of Ireland, the St. Albans Bank, the Sheffield and Retford Bank, the Sheffield and Rotherham Bank, the Southern District Bank, the Suffolk Bank, the Sunderland Bank, the Weald of Kent Bank, the Western District Bank, the Wells and Dorset Bank, and the Yorkshire Agricultural and Commercial Bank. (For list of 'agencies' at various dates *v.* Appendix I, p. 298.)

circumstances a specific sum of discount should be granted by us'.¹

The reason for the refusal in the case of the Commercial Bank of England is significant: a deputation from that bank 'called upon the General Manager in consequence of Messrs Barnett, Hoare & Co., their agents having refused to make further payments on their acct. to offer to this Bank the agency provided they would make advances to the extent of £200,000—or even £100,000 which they considered would remove all their difficulties, as there appeared by the statement that advances upon overdrawn accts. amounted to £400,000 & that the engagements of the Bank were upon a very extensive scale, the Committee declined entertaining the proposal'.²

In the case of the Phoenix Banking Co., 'we refused to enter into any agreement binding this Bank to any fixed accommodation; but if the Phoenix Bank appointed us Agents & required occasional Disc^t, the L. & W. would, upon every application of the kind, feel inclined to be as liberal as possible'.³

The original refusal to deal with the Nottingham Bank was also due to unsatisfactory relations with existing agents: 'it appeared that Barclay's their present Agents had refused on Saturday to make payments for them amounting to £17,000, (£5,000 of which was held by the L. & W.B. under disc^t. for the Newcastle Banking Co.) not having sufficient assets, thereby placing the C^r of their Bank in danger—upon an investigation of their affairs they were found so very unsatisfactory that the Committee declined any connexion with them in the present state of their affairs'.⁴

¹ *Private Minute Book*, p. 135, under date of 1st June 1837. For Goatley, see below, p. 331.

² *Ibid.*, p. 442, under date of 29th June 1840.

³ *Ibid.*, p. 46, 30th January 1837.

⁴ *Ibid.*, p. 473, under date of 13th September 1841. A week later a 'large Deputation' from the Nottingham and Notts Bank interviewed the Committee and arrived at a provisional agreement.

A second interesting group is presented by those banks which have survived to the present day and with whom amicable relations were established. Among existing clearing banks, the National Provincial Bank and the Manchester and Liverpool District Bank (now the District Bank) were both in touch with the London and Westminster Bank. On 6th April 1838 it was recorded that 'The Committee agreed for Mr. Gilbert to write Mr. Jackson, Manager of the Manchester District Bank, that our Bank would agree to discount for them £20/40,000 Bills at 1/2 months to run, at 2½%'.¹ On 28th October 1837, 'A

¹ *Private Minute Book*, p. 321. The two banks had already been in touch in relation to the alleged fraudulent character of two other banks—the Flintshire and Sheerness Banks. The same establishments were the cause of the first contact between the National Provincial Bank's Birmingham Branch and the London and Westminster Bank. On 14th October 1837 it is recorded that 'Mr. Lloyd a chief Clerk from the National Provincial Bank Birmingham waited upon the Directors accompanied by Mr. Corney, to state that a person calling himself Palmer had called at the National Provincial Bank with various bills of Exchange, one purporting to be issued by the Sheerness and Queensborough Bank, & one by the Flintshire Bank, & one by the Cheltenham Bank for discount which accommodation Palmer succeeded in obtaining. Mr. Lloyd stated that some suspicion arose in his mind abt the two former bills never having heard of such Banks as the Sheerness or Flintshire, considering fraud to be connected with the transaction he immedy apprehended Palmer, and took him before the Magistrate who detained him in custody, that Mr. Lloyd might come to Town & get information from this Bank as to the nature of these two Accts. The Directors stated that in the absence of their Manager they could not furnish him with any particulars, but that each Bank had cash in our hands. Mr. Lloyd stated that he should go off immedy to Sheerness to ascertain there what was the character of this Bank in the neighbourhood. The Directors promised Mr. Lloyd that Mr. Gilbert who was then at Lichfield should be present at the investigation on Monday before the Magistrates at Birmingham.' Two days later 'Mr. Lloyd from the National Provincial Bank of Birmingham called on his return fr Sheerness & stated that there was no establishment there bearing any character of a Bank, & from all the information he had collected from persons residing in the place the firm of Abraham & Co., were Swindlers.' A little later the Birmingham Banking Co. wrote an 'account of proceedings against Palmer

proposition was laid before the Committee from the Nat: Prov: Bank of Eng^d that we should come under engagement to discount for them at any time Bills to the amount of One Hundred Thousand Pounds (£100,000) at the current rate of the day, and that we should moreover waive charging Commission on Transfers of money from ourselves to their other London Agents. Agreed to forego the Commission, but not to come under fixed engagements to discount'.

The first mention of the Royal Bank of Ireland is on 17th December 1836, when there was 'Read a letter from the Royal Bank of Ireland with their views on our Circulars of the 5th Ins^t. Consented to relax these rules, as regarded them, as it did not appear that the state of their account warranted rigid application of the rules'. In 1838 a correspondence ensued, in consequence of the Royal Bank having advised certain bills wrongly. In 1846 'Mr. Copeland of the Royal Bank of Ireland came before the Committee, and stated it was probable that Bank might have occasion for an advance of from 30 to 40,000£ for a short period, being an advance for Railways. After some consideration the Committee informed Mr. Copeland this Bank would be willing to make an advance *not to exceed* £20,000 which was satisfactory to Mr. Copeland. It was therefore so understood, & if necessary to be acted up to'.¹

of the Sheerness & Flint^{*} Banks, and begging us to join the other Banks in subscribing to a Fund for conducting a prosecution against him & other parties connected with him', which was agreed to (*Private Minute Book*, pp. 233, 234, 237).

¹ *Private Minute Book*, under date of 1st January 1846, p. 532. Among the bills drawn under this arrangement was one for £7,500, drawn by the Secretary of the Dublin and Drogheda Banking Co., which, together with a previous one for £5,000, occasioned some further correspondence. Railway affairs occur in connexion with other banks also—the Sheffield and Retford Bank, who sent up a deputation on 26th January 1846, asking for a loan of £100,000, 'presented the balance sheet of their bank, or rather a statement of their assets and liabilities. Out of about £145,000 current accts, £60,000 was the property of the Grimsby railway & £20,000 was other monies required forthwith'. (*Ibid.*, p. 533.)

On 19th February 1838 the following record is made: 'Mr. Shairp, from the Nat: Bank of Scotland, asking upon what terms we would accept a Deposit Account for the purpose of conducting Investm^{ts} in London. 2% In^t to be given and half Brokerage to be charged'.¹

In certain cases relations already established were upset and the accounts transferred elsewhere because of refusal to extend the accommodation demanded. The Hinckley Bank (a private partnership) had given a good deal of trouble to the London and Westminster Bank in 1837 in consequence of the state of their account. On 7th August 1840 'Mr. Needham of the Hinckley Bank came to the Committee and stated that his partner Mr. Heming and himself had determined to convert their Bank into a Joint Stock Bank with branches in several Towns, and as their arrangements might not be completed for some time, they thought it right to be prepared to meet any call that might be made upon them and therefore requested the loan of £6,000 upon the security of an acceptance. . . . Various questions were asked on the proposed scheme which were not very satisfactorily answered, and after considering the subject the Committee thought it prudent to decline the request, and to desire that the Account of the Hinckley Bank which was nearly £3,000 overdrawn should be set right'. Three days later 'Mr. Heming of Hinckley called at the Bank bringing £6,000 to cover the overdraft of the account. He complained of want of liberality in refusing the request made by Mr. Needham and stated that he should immediately look out for another Agent'. On 11th August 'a letter was received from Messrs Heming & Needham desiring their Deposit Bills might be delivered to Messrs Glyn & Co., their new Agents'.²

The relations with the Imperial Bank of England,

¹ The practice of the 'split commission' thus goes back to the very beginning of joint stock banking history.

² *Private Minute Book*, pp. 443-5.

Manchester, also came to an unhappy close. It was arranged to take the agency of this bank on 12th December 1836. Permission to overdraw against the discount of bills was granted a few days afterwards, but by 25th January 1837 Mr. Gilbert was instructed 'to correspond with one of the Manchester Banks upon the quality of the Bills remitted by the Imperial Bank of England'. A few days later it is recorded that 'Mr. Gilbert read an *anonymous* Letter about the character of the Imperial Bank'. Other letters were also sent, and the Imperial Bank was communicated with. On 3rd February 1837 it is recorded that 'Mr. Law had a Communication with Mr. Gilbert to announce that the Imperial Bank of England had removed their account to Messrs Ladbroke's—and that all drafts and acceptances are to be referred to them from tomorrow'.¹

Difficulties over the quality of security offered, or over the purpose for which advances were required are, indeed, not infrequently mentioned: so are disputes as to the rates at which business was done. On 12th May 1845 'A letter was read from the Manager of the Newcastle & T Bank requesting an advance of £20,000 more, on a deposit of two colliery mortgages as collateral security. The Committee having considered the matter & seeing that a special discount of £20,000 was granted in anticipation of a call made by the Bank to the shareholders when according to agreement this loan was to be repaid & that this additional sum would bring the advance by this Bank to considerably over £60,000 it was resolved that this request of £20,000 on mortgages should be declined on the ground that this Bank is indisposed to advance money on inconvertible security'.² In March 1837 the Southern District Bank sent a deputation to the Board 'to propose our advancing them £10,000 that they might commence business, having only received £5,000

¹ *Private Minute Book*, p. 49. By April the Imperial Bank was still £800 overdrawn. 'To be written to forthwith to put it right.'

² *Ibid.*, p. 526.

on 8000 shares disposed of at £10 per share, which of course the Committee declined in a polite manner, stating they should have an answer thro' the Manager'.¹ The Monmouthshire and Glamorganshire Bank 'sent up Bills for Discount at 3%—£10,000—the Paper generally small indirect Paper entailing a great deal of trouble; some unaccepted. Two Bills in this state on Scotland—ordered to be returned'.

Two examples of the differences about rates given and charged will suffice. On 22nd June 1841,

Read a letter from City & County Bank of York, complaining that our rates of Interest on their deposit had not been raised at the same time that Overend & Co. raised their rate.

Directed answer to be written, that we had allowed & would allow the same rate that Overend & Co. allowed to us, this being in accordance with the fact & our original arrangement with them.²

Under date of 13th February 1838 a letter from the Wilts and Dorset Bank, which had previously given the London and Westminster Bank a good deal of trouble over their account, was read 'stating that they had been and were continuing to discount with Gurneys at $3\frac{1}{2}\%$ and offering us a Share of their Discounts. Ordered That they be written to that we will take Bills at present from them, upon those terms'. Ten days later, 'Mr. Wilson of the Wilts & Dorset Bk sent up £2,000 Bills for discount at $3\frac{1}{2}\%$ but regretted he could not send more, as Overend offered to do them at $3\frac{1}{4}\%$, the Committee therefore resolved offering to discount for him at the same rate for the present'. The Wilts and Dorset Bank then tried to get a still lower rate, it being recorded on 14th April:

Read a Letter from Mr. Wilson of the Wilts & Dorset Bk enclosing £1,100—Bills for Disct and expecting we would do them at $2\frac{3}{4}\%$, we having previously offered 3% as our terms.

¹ *Private Minute Book*, p. 70. A discount credit 'upon the Individual Responsibility of their Directors' was granted on 31st March 1837.

² *Ibid.*, p. 463.

Ordered, To be written to that we would do these at that price, But that we declined doing more under 3%.¹

The main difficulty, as becomes clear on studying the records, was to keep the 'country connexions' within the limits of their agreements with the London and Westminster Bank. Such difficulties naturally became generally aggravated during a period of 'pressure' such as that of 1837,² whilst in certain cases, notably in the case of four or five banks which suffered from bad management or ill-fortune or both combined, the task of control became practically insuperable. There follow a few typical cases of breaches of agreement:

(1) *East of England Bank*. 17th January 1837. 'Resolved That the East of England Bank be written to to state, that they must give more notice of the large payments ordered on their a/c.'

19th January 1837. 'Read a letter fr Mr. Cargill Manager of the East of England Bank in answer to a letter fr Mr. Gilbert enclosing a statement of the East of England Bank, & also requesting more than one day's notice before they passed such large dfts upon us amounting to £10,000 —having pledged themselves not to do so. Mr. Cargill apologized for so doing & said it would not occur again it

¹ In general, Bank rate appears to have been followed. On 24th January 1840: 'The Bank of England having reduced the rate of disct, directions were given to Mr. Gilbert to give notice of reducing our rates of discount also to 5% & to reduce the interest paid on deposit receipts forthwith.' (*Private Minute Book*, p. 434.)

² Before any examples are given, some general references will indicate the nature of the situation. 9th March 1837: 'In compliance with the resolution passed at the Board yesterday . . . the Manager reported the following Banks, whose accounts were not in conformity with the agreements subsisting with them respectively.' 15th March 1837: 'Mr. Gilbert reported that the state of the Country Banks was better, & that it was not necessary to bring the case of any one in particular before the Board'. 28th April 1837: 'Mr. Gilbert reported that the Banks were in a better state.' (So also on 29th and 31st May.)

had been occasioned by some arrangement made between them & the old bank.'

(2) *Herefordshire Banking Company*. On 9th March 1837, the Manager having reported the account not in conformity with the agreement, 'Letter read from the Bank in answer to one from our Manager which appeared to be satisfactory'. By 28th March the Bank was £4,983 overdrawn, and a letter was written to them. A promise was given that the account should be 'put right', but in spite of repeated protests in April and May, by 13th June they were still in difficulties. Throughout 1837 complaints and promises to amend appear again and again; the same situation recurs in November 1839, and in June 1840 the bank was still being written to about its account.

(3) *Newcastle Bank*. Under date of 29th March 1837. 'Read a letter from the Newcastle Bank in reply to ours of the 25th, stating that they would as rapidly as possible reduce their Discounts to £20,000—that they were obliged by the assistance we had afforded them, but could extend their business considerably with more assistance.

'Resolved. That they be informed, that the Directors expect them to conform strictly to the terms of their last letter.'

(4) *North and South Wales Bank*. Under date of 20th April 1837: 'The Manager having reported that the North & South Wales Bank had considerably overdrawn their Cash Account, he was desired to write and request that it be immediately set right.' They were written to again on 26th May and on 12th, 21st, 22nd, and 23rd June. On 5th July, the London and Westminster threatened to discontinue paying unless the cash account were put right. Next day a letter was received 'making merely promises'. They were to be written to 'in the strongest manner possible' to send up cash. The tug of war continued for years; in August the account was reported in 'a good state'; in September as

being 'in perfect order'. In November 1839, a 'provisional agreement' was signed by which the right to overdraw to the extent of £110,000 was granted against an undertaking to (1) 'lodge with the L. & W. Bk. all the Bills of Exchange they now hold at L'pool and all other Securities they possess including the Securities lodged with them by their Customers and the Deeds of the new Bank premises'; (2) close the business at Liverpool and agree 'that from the 1st Jany next the business of the N. & S. Wales Bk shall be confined to the Principality'; (3) pay £50,000 to the London and Westminster by March 1840 'and the remaining £60,000 shall be wholly discharged by the end of next June'. Finally, 'should it be necessary to effect this the Directors of the N. & S. Wales Bk pledge themselves to advance £20,000 personally towards payment of the £50,000 to be paid in March'. But by December 1840 it was necessary for the North and South Wales Bank to send a deputation to explain an 'irregular & censurable proceeding' in order to raise funds to meet payments due in Liverpool. Great regret and a promise not to repeat this course of action was expressed. In February 1841 it was agreed to discount £10,000 on the deposit of £20,000 in bills as the bank was in a 'perilous situation', but on 23rd June it was again necessary to write in consequence of the state of the account.

Among the worst offenders were the Lichfield Tamworth and Rugeley Bank, the Northern and Central Bank (which brought the London and Westminster Bank into conflict with the Bank of England), the Southern District Bank, the Western District Bank, the Leamington Bank, and the St. Albans Bank: the difficulties occasioned by these banks occupy literally scores of pages of the private minute book. An analysis of a typical case will suffice, that of the Leamington Bank:

The Leamington Bank. The first annual meeting of this bank was held on 1st August 1836, it having commenced

operations on 12th May 1835. Its paid-up capital was £38,650, on which a dividend of eight per cent was declared. 'In concluding their Report, the Directors call the attention of the Proprietors to the great advantages and substantial security of Joint Stock Banks; and feel much pleasure in being able to congratulate them on the prosperous state of the Company; and at the same time, would impress on the mind of every Shareholder, the duty and importance of their individual exertion and influence to promote and secure the permanent prosperity of the Establishment.'¹ Behind the scenes, the situation was evidently not so promising.

The first mention of the Leamington Bank in the private minute book occurs on 15th December 1836, in connexion with a communication to the effect 'that they were making arrangements for obtaining a sum of £28,000 by a call on their shares & otherwise & begging us not to press the adjustment of their ac't till such part of their arrangement as related to a sum of £6,000 & which was likely to take effect next week, was completed. Agreed to.' Four days later it was recorded that 'the Leamington Bank appearing by the state of its account to be bringing us under further advance, it was Resolved, that they should be written to and informed, that unless they remitted forthwith to cover their ac't we should be compelled to refuse acceptance or payment for them'. On 21st December the Manager and the solicitor of the Leamington Bank agreed to a new arrangement to reduce their overdraft and discounts by £5,000, and to 'bring the London & Westminster Bank under no further cash advance, nor to draw any Dfts without satisfactory cover'.

Within three days the agreement was already not being kept. On 5th January a new agreement, increasing the discount facilities of the Leamington Bank for a short time, was concluded, but further difficulties almost immediately

¹ From the printed Report, in the possession of the Westminster Bank.

occurred. On 4th February, 'Mr. Gilbert having returned the Drafts of the Leamington Bank on the ground of no advice, they were afterwards sent for & paid, and a Communication was immediately made to the Leamington Bank thro' their Solicitor, Mr. Field, who is now in Town'. Two days afterwards, Mr. Field brought notes of hand of some of the Directors for £8,000 and was told that the Leamington Bank must on no account overdraw beyond £2,000.

By the end of March the Leamington Bank was again in difficulties: on 6th April a letter was sent informing them that 'this Bank decline making any further discounts for them after the 15th Inst., that they may reduce their Discount acct. within the agreed limits as per Mins. 5th January. . . .'

On 1st May a request for an indulgence of £5,000 more discount was refused; nevertheless a new agreement was signed on 4th May, by which 'The Directors of the Leamington Bank in consideration of the L. & W. Bk. agreeing to discount the Notes of hand to the Extent of £10,000 of some of the wealthy Shareholders of the Leamington Bank to fall due on or before the 30th Prox^o, undertake to place in the Possession of the L. & W. Bk Securities to the Amt of £20,000 & agree to call in the Advances made to their Customers under the Direction of a Director & the Solicitor of the L. & W. Bk, such Director and Sol^r having Power to wind up in any Way they may think proper the Affairs of the Leamington Bank to place themselves in Security'. Within four days the Directors of the Leamington Bank wrote 'complaining of our Minute of the 4th Ins^t & stating they should be in Town on Wednesday to confer with our Board on Arrangements they are making for putting their Bank upon a new Footing', but the London and Westminster refused to see the deputation unless the account were put in order.

A further ultimatum followed on 19th May: 'Directed

Mr. Gilbert again to write to the Directors of this Bank, to inform them they must cease from drawing any large bills on the London & Westminster Bank, and further, if a deputation from the Leamington Bank is not in London on Wednesday next, to meet the Board of the London & Westminster Bk, to come to some satisfactory arrangement as to the overdrawn accounts of the Leamington Bank, the consequence will be, the stoppage of the said Bank'.

Further mandatory communications followed; finally, on 23rd May, a deputation was seen, but sent back to prepare a correct statement of the Leamington position by the following Monday.

A further agreement followed on 30th May, but on 5th June it was again necessary to write to the Leamington Bank 'desiring them to put their account in order, as their advances are beyond the limit agreed upon'. By 20th June the net amount owing by the Leamington Bank was £50,554. On 22nd June representatives of the Leamington Bank attended with plans for reopening the account, none of which were acceptable, and Mr. Roy, the London and Westminster Bank's solicitor, was sent to Leamington.

By the end of July the patience of the London and Westminster Bank was exhausted. On 19th July 1837 the London and Westminster, on condition of £5,000 being paid in a week, 'will expect the most responsible of the Shareholders to pay up a sum sufficient to cover the amount of Balance which will be then due to the Bank. Such sum to be placed with the London and Westminster Bank, on deposit at Interest, at Five per cent, and the Bank retaining their present securities will take such proceedings to recover them, *as the parties paying up that sum in deposit shall direct, and who shall be answerable for the expences of those proceedings*'.¹

These terms were submitted to the shareholders by the Directors and Committee of Management in a circular

¹ Terms quoted in circular mentioned below. Italics not in original.

dated 24th July 1837.¹ The circular states: 'In a letter subsequently received from the Solicitor of the London and Westminster Bank, they say that, "If the opulent Shareholders, instead of paying up the sums required in the following proposition, were to prefer giving Promissory Notes, payable in equal Instalments and within a year, with a Warrant of Attorney and Judgment against the Bank as collateral security, we do not doubt that the London and Westminster Bank, if the Notes were satisfactory to them, would accept them instead of Money . . ."'

The general meeting of the shareholders, foreshadowed by this circular, was duly held. On 10th August 1837, Mr. Gibbes, a Director of the London and Westminster Bank, sent from Cheltenham 'particulars of the meeting of the Leamington Shareholders stating the gross mismanagement of the Directors, large loans to themselves, etc., the displacing of the old Directors, & choosing others & giving a favourable opinion of the claims of this bank'. A few days later Mr. Roy reported that a firm of solicitors 'had instituted a Suit in Chancery against the Leamington Bank by order of certain Proprietors to restrain the Directors fr further acting & directing the Bank'. Finally, on 22nd August a letter from Mr. Gibbes was recorded, enclosing a resolution of the Leamington Bank. The London and Westminster Bank was to appoint an 'Inspector' to investigate affairs, receive and pay money, and to take securities.²

¹ Circular in possession of the Westminster Bank.

² Tuesday, 22nd August 1837: 'The Committee appointed Mr. Warmington the Secy of the Commercial Railway during his absence fr London on leave of absence, say abt 6 weeks, as Inspector for that time, or longer if his services were desirable & a mutual arrangement could be entered into between the Comm'l Railway & this Board—the salary was settled with Mr. Warmington at the rate of £400 per annum, with his expences up & down fr 24th Aug, his services to terminate at the pleasure of this Board.' (*Private Minute Book*, p. 195.)

The 'Inspector' appointed, Mr. J. Warmington, proceeded to deal with the situation with great energy. On 12th September the Chairman read a letter from Mr. Gibbes at Leamington 'giving a most pleasing report of how the Gen^l Meeting of the Leamington Bk went off. . . '.

On 9th October, 'Read a letter fr Warmington, Leamington, informing us that in consequence of a misunderstanding with . . . the late Manager of the Leamington Bk & the Directors, which in his opinion might prejudice the Interest of this Bank, he had determined to prolong his stay a few days'. He returned to London on 17th October, when he 'attended the Directors & entered into a full explanation of the affairs of that Bank, and gave it as his opinion that the London & Westr Bank would eventually receive the whole of their money'.

Thereafter matters were not destined to go so well: legal proceedings were initiated and continued against certain 'parties' named by Warmington (6th November 1837). On 16th November 1837 a letter from Warmington deals with the possibility of five promissory notes for £1,000 each not being met on the due date and, further, 'He states that the Progress in realizing the Assets is slow & that he fears some of the larger Debtors to the Leamington Bank will be unable to stand'. On 28th November a new agreement was transmitted by Warmington, by which the Leamington Bank would make over various bills to the London and Westminster Bank, 'upon which we might sue for them. This agreement to be perfectly unconnected with that at present in existence between the two Banks'. Two days later, Mr. Roy, the solicitor, transmitted Counsel's advice that 'the necessary measures should be taken to have Mr. Warmington appointed Receiver, which the Committee approved of, by the recommendation of Mr. Roy'.

The affair of the Leamington Bank dragged on till May 1838. On 17th May, 'Mr. Roy & Mr. Warmington attended to submit a statement of the affairs of the Leamington

Bank at this time, showing in consequence of many of the D^{rs} of the Bank having become Bankrupts, the assets of the Bank were materially reduced in value, notwithstanding this circumstance it appeared that the claim of this Bank might fairly be expected to be fully satisfied; this appeared after putting a fair value on the Securities held. . . .'

A side issue had been a suit pursued against one of the Leamington Bank shareholders, which at one time had led to the intervention of the Stourbridge Bank.¹ On 2nd June 1838, 'Mr. Warmington reported that the suit by this Bank against Mr. King, one of the Shareholders of the Leamington Bank, had been successful & that the amount sued for, viz. £800, had been paid with the costs. The result of this suit would be thought to have a good effect upon other Shareholders similarly situated'.

The last reference to the Leamington Bank in the private minute book is dated 2nd December 1839: 'The Leamington Bank paid in £2,500, against their Debit Balance'.

III

THE PRINCIPLES OF BUSINESS OF THE LONDON AND WESTMINSTER BANK

I

Though the London and Westminster Bank might officially, and as a matter of principle,² welcome the extension of the new banking within the London area, the records leave

¹ *Private Minute Book*, 11th May 1838 (p. 341); 12th May (p. 342); 17th May (p. 346).

² *v.* the fifth annual Report, 1839: 'It may be expected that some notice should be taken in this Report of the extension of the system of Joint Stock Banking in London. This will not, in the opinion of the Directors, militate against our interest, as those principles, which we were the first to advocate, will thus be more widely disseminated. Hence all Banking Companies that may be respectably and honourably conducted, will be regarded by this Bank, not as rivals, but as allies. At the same time, the Shareholders should bear in mind, that as Joint Stock Banks multiply in London, each Bank will have to depend

no doubt that, behind the scenes, the increased competition involved caused the Board of Directors a great deal of anxiety. As early as 1838, the General Manager was called upon to account for the comparative failure of the City Office to advance as rapidly as the branches.

In a very characteristic reply, Gilbert drew attention to the strong ties between the old City banking firms and their clients, arising out of the nature of the business done, and to the fact that the Board of the bank and the principal shareholders, owing to the professions in which they were engaged, did not possess the right influence in the City.

The report follows:

The Directors of the

London and Westminster Bank. London and Westminster Bank
Gentn. Jany. 31, 1838.

I have been informed that last Wednesday the Board passed a Resolution requesting me to Report my opinion, why, during the last year our business had not increased so much at the London Office as it had at the Branches. In obeying the commands of the Board I shall, First, take a view of the progress of the business at the London Office as compared with the Branches, and Secondly, state my opinions as to the peculiar causes which have retarded the progress of the business at the former establishment.

First, In noticing the progress of the business during the past year at the London Office I shall notice, the Amount of the Balances on the Current Accounts, the number of new accounts, the amount of the Deposit Receipts, and the sums charged for Commission.

[Detailed comparisons follow, which are not of permanent importance.]

mainly upon the support of its own Proprietary. And the London and Westminster Bank having been first in the field, ought not to suffer itself to be passed in the course by later and more youthful competitors. But if the exertions of our Shareholders be at all proportionate to their numbers, their wealth, and their respectability, the London and Westminster Bank will not only have the honor of being the first Joint Stock Bank in London, in the order of time, but in other respects also will be enabled to maintain the pre-eminence.'

Secondly, I shall now proceed to state my opinions as to the causes that have retarded the progress of the business at the London Office.

1. The City Bankers have more influence over their customers than the Bankers in the Western parts of London. The city customers have occasion for discounts and loans which the Bankers most liberally grant. When they leave their Bankers to come to us they come to a Bank where they are less known and where from that circumstance alone they might not be treated with the same degree of confidence. Hence we have drawn but few accounts from other Bankers and those few have been chiefly of an inferior class to whom their former Bankers had refused accommodation. At the West End the parties generally have not the same occasion for discounts and loans, nor are the Bankers in the habit of granting them. Hence as the customers are under no obligation, they do not feel the same difficulty in removing their accounts.

2. Our exclusion from the clearing-house. I need not say that this operated to our disadvantage in the city. But as the Bankers in the West End do not clear it makes no difference to our Western Branches.

3. Our Influence is less powerful in the city—

In the City of London the power of swaying the actions of other men and the opportunities of exercising this power are possessed chiefly by those who are extensively engaged in mercantile pursuits. Not many of our Directors and none of our large proprietors are thus engaged. Hence by far the greater number of our customers at the London Office are strangers who have come to us of their own accord without any persuasion on our part. Permit me to add that our influence is impaired by Directors and Shareholders keeping accounts with private Bankers. Exclusive of our Directors our Solicitors Stockbrokers and Notaries we have only twenty two shareholders who have accounts at the city establishment.

I think it will be found that every part of our business has increased in proportion to the influence employed to obtain it. The Westminster Branch has prospered from the number of Directors and large shareholders who reside in the district, and the Marylebone Branch will probably prosper from the same cause. The Bloomsbury Branch has prospered chiefly from the influence and exertions of the Manager who had numerous acquaintances in that district many of whom kept accounts at a Bankers with whom

he was previously connected. He has given me a list of fifty accounts brought by the influence of himself and his friends. The Southwark Branch has prospered through the influence of Mr. Farncomb and of Messrs Kingsford & Lay who took their account to the Branch in the beginning of last year in consequence of their former Banker having stopped payment. Nearly all our country connexion and the whole of our Irish connexion were obtained through the personal influence and exertions of the General Manager, while in the Eastern part of the town where we have no influence our progress has been more tardy. These cases clearly point out that the way to increase our City business is to get more Directors and shareholders who have city influence.

The Board must clearly recollect the fervency and the frequency with which for nearly two years I urged the establishment of Branches. It is highly gratifying to me to find that now after the system has been fairly tried I am called upon to Report, not, why the Branches have not prospered, but why they have been more prosperous than the London Office. This acknowledgement of the soundness of my judgment upon so important a feature in our establishment seems to warrant my asking the confidence of the Directors on any future occasion wherein my views as to the practical government of the Bank may be different from their own.

I am, Gentn,

Your faithful servant,

J. W. GILBART,
Gen. Manager.

A decade later the same problem was still facing the Board of Directors. In April 1849, two reports were sent in, one by Gilbert himself, the other from W. T. Henderson, the Town Manager. Gilbert again drew attention to the factors mentioned in 1838; but on this occasion made specific reference to the growth of joint stock banking competition: 'The Headquarters of them all have been in the City and many of their Directors have been connected with the City. Hence the City Office has had to contend with more opposition from other Joint Stock Banks than any of the Branches.' Payment of interest on current accounts or less discrimination in the choice of assets

‘though they might increase our business would not probably increase our profits’. What could be done was to make the premises as attractive as possible to customers,¹ and to alter the composition of the Directorate.

Gilbart’s report follows, in full.

REPORT of the General Manager on the following Resolution of the Committee appointed by the Board for the purpose of considering how the business of the Bank can be improved and extended.

Resolved—It appearing from the number of town current accounts and the amount of the Balances that the progress of the Bank at Lothbury by no means keeps pace with that of the Branches, it was Resolved—

That the General Manager and the Manager be respectively requested to state their views as to the causes of this wane of progress in the City Business, and to suggest such measures as they may think more likely to improve and extend the city connexion of the Bank.

THIS REPORT is accompanied by two Tables showing the progress of the city business and that of each of the Branches from the beginning of the year 1845 to the present time. These Tables will supply the Committee with a clear statement of the facts relative to the progress of the City Office and of the Branches respectively.

It will be necessary to state—

I. Those Causes which may have rendered the progress of the City Office less Rapid than it might have been.

II. To suggest those measures by which the city business may be increased.

1. The Causes—The following are believed to be the chief—

1. The Customers of the City Bankers are more under their influence than those of the West End Bankers. The City Customers receive discounts and advances. The West End Customer lodges money with his Banker and wants no discount. Hence the West End Customer can more readily change his Banker than the City Customer.

2. The exclusion of our Bank from the Clearing affects the City Office more than the Branches. On this point our Western Branches are upon an equality with the Private Bankers.

¹ v. below, p. 290.

3. A greater number of our Shareholders and of our Directors live at the West End than in the City. The total number of our Shareholders resident in London is 645. Of these the number who keep their accounts with our Bank is 217. The following is the number at each establishment. City Office 61, Westminster 67, Bloomsbury 23, Southwark 16, Eastern 16, Marylebone 34, total 217.

4. Since our Bank commenced four New Joint Stock Banks have been established. The Headquarters of them all have been in the City and many of their Directors have been connected with the City. Hence the City Office has had to contend with more opposition from other Joint Stock Banks than any of the Branches.

II. To suggest those measures by which the City Business may be increased—

There are two ways of increasing the business of a Bank. First, By making such changes in its internal administration as shall attract customers. Secondly, By using external persuasion or influence to induce parties to become customers.

As to the internal means, we might attract depositors by offering interest on current accounts. Or we might attract parties who want money by discounting inferior bills, advancing money on dead security, or making large loans to speculative or ill managed companies. But these measures though they might increase our business would not probably increase our profits. The General Manager recommends no alteration in these respects. But there is one point connected with internal administration that may be worthy of notice. The offices and apartments of a Bank should at all times be pleasant and agreeable for customers to enter. A Bank that should so arrange its office that the public must jostle against one another or that should place its Manager in a dark and dirty room with shabby or worn out furniture and approachable only through dark and dirty avenues would not go the way to invite respectable customers. If this be in any degree the case of our Bank the General Manager is of opinion that it ought to be altered.

With regard to external influence, that must rest with the Directors and the Shareholders.

The most influential class in the City are the Merchants. A Merchant buys of a good many people and he sells to a good many people and he mixes with commercial people and hence

he has many opportunities of recommending the Bank. In this respect our Bank has from its commencement till within a recent period been lamentably deficient. Most of our Directors have been connected with the west end of the town and even then have not brought us many accounts. All the Managers tell me that it is a marvellous thing for a new account to be brought to them by a Director.

Hence it is that the London Joint Stock Bank though a younger Bank has acquired a much larger City business. Their Directors are commercial men and though not of a higher social rank than our own, they have from their City connexions more city influence, which they have used energetically for the interest of their Bank.

I would therefore recommend as one means of our increasing our City business that we increase the commercial strength of our Directory. There is no good reason why we should wait till vacancies occur in order to do this. The number may be increased if suitable men can be found at once, and if thought proper the number might again be reduced as vacancies occur. At all events we might endeavour to get suitable men, and advise them to become shareholders upon the understanding that they shall become Directors when opportunity offers. A few new Directors connected with the Eastern part of London would be of great service to our Eastern Branch.

Next to the Directors are the Shareholders. Some efforts might be made to induce these people to expend in serving the Bank some portion of that energy which they squander away in lecturing the Directors. Shareholders have their duties as well as their rights. Some years ago we were in the habit of reminding them of these duties by a circular, a copy of which I enclose. By some such circular or by a notice of the Chairman at the General Meeting they ought to be reminded again. At the commencement of our Bank we had few shareholders in London. The London Joint Stock Bank had from its commencement a large local proprietary. Hence when we want a Director we can't get one. When a vacancy occurs with them there are at least two candidates. At present our London shareholders amount to 761. Those of the London Joint Stock Bank to 624. But theirs are commercial men who use their influence for the Bank. Ours do nothing but find fault with the Directors. They are known only to our Secretary from their coming to receive their dividends. Our Managers know nothing about them.

These then are the means which the General Manager recommends for extending the business of the City Office, first, to put our offices in a condition fit for gentlemen to enter, secondly, to increase the power and influence of the Directory, thirdly, to enlist the services and influence of the Shareholders.

J. W. GILBART

April 10th 1849.

Genl. Manager.

The Town Manager denied that, in fact, the City business of the bank was lagging behind. He urged the necessity for Directors to canvass for business, since the Town Manager himself has 'little either of time or opportunity to be much 'out canvassing for Accounts, he must rather endeavour to draw others by his mode of treatment of those he has'.

. . . The canvassing for new Accounts can be done much more effectively by Directors. I would, therefore, respectfully urge upon the Members of the Board, to exert all their influence with their connexions to induce them to open their accounts at this Bank. Hitherto, so far as I am aware, no such influence has been used; while it is notorious as regards the other Joint Stock Banks, that the Directors have not only transferred the Accounts of their houses of business to the Bank of which they are Directors, but they have descended to use threats to those with whom they transact business, that unless the party removes his account to the Bank of which the applicant is Director, they must cease to do business with each other. Clearly, the first necessary step in such a mode of canvass is, that the Director has already transferred his own account to his own particular Bank.

The main cause of the rapid progress of the new banks, he thought, lay in the fact that 'They deal in all things more liberally than we do', not only paying interest on current accounts, but giving higher rates upon deposits, and, also, 'they are more liberal to their customers in shape of Discounts and advances, and so, deservedly, are more favored by the public'.

II

The question of the rate of interest to be paid upon deposits came to the front in a very prominent way during the period of monetary pressure in 1857, when competition between the banks, combined with high Bank rate, forced the interest rate up to an imprudent level: it is from this period that the refusal of the banks to follow Bank rate up above a certain maximum appears to date.¹ At the meeting of proprietors in 1861, the Chairman said in connexion with the high level of Bank rate then ruling:

The directors of the London and Westminster Bank, having had the experience of a somewhat similar emergency in 1857, would not be worthy of the confidence of their proprietors if they did not now show that they had gained some wisdom by that experience. They had now therefore endeavoured to correct the system of 1857, by not continuing applying to such extraordinary times the same rates allowed in receiving money on deposit that they had been in the habit of allowing in times of ordinary commercial facility. With a view to determine this question, a meeting of the joint-stock banks took place, which this bank took the lead in calling; and for the interest of this bank and of all the other banks, a measure was suggested, which had been ratified by public opinion, and happily carried into effect. It was considered that, at a time when the Bank of England was resorting to extraordinary rates of discount for the purpose of protecting its bullion, the London and Westminster and other banks should not, in receiving money on deposit, tread too closely upon those rates which the Bank of England fixed for its discounts. The directors had therefore fixed those new rates of interest on deposit which, he was happy to say, had received the sanction of the press and

¹ For Alderman Salomons' evidence on this matter, see vol. II, chap. xiii. The Chairman at the annual meeting of the London and County Bank in 1858 had already said that 'He believed he was justified in saying that this company was the first to raise its voice against the extravagant rate of interest at the Bank of England. This bank told its customers that if they were not satisfied with 8 per cent., they might withdraw their money, but there was not one that did so.' (*Bankers' Magazine*, 1858, p. 261.) In 1875 a further step was taken by the London & Westminster Bank: as the shareholders were told at the annual meeting in 1876, 'Your directors. . .'. after

of public opinion, as being just to all their depositors, and a fair bargain for the banks, which had to bear all the brunt of stormy times; and it could not afterwards be said of them, in any case, that they had pushed forward to receive the money of all sorts of people, by offering to pay more for it than it was really worth.

In the middle years of the bank's history the problem of acceptance business came very much to the fore. In 1869 the Chairman explained a 'slight alteration' in the form of accounts:

For the first time since the establishment of the bank the rebate on bills discounted and not yet due has been deducted. When the bank was established 35 years ago, the form of account then adopted, and which has been adhered to till the present time, did not include the deduction of the rebate. . . . But, owing to the representations of scientific accountants and to the friendly remonstrances of a portion of the commercial press, we have thought it our duty to bring our accounts into harmony with the accounts of the Bank of England and the Scottish banks. . . . We have not entered the amount of rebate—following the example of the highest authorities—the Bank of England and the Scotch banks. . . . My colleagues, however, have invested me with the completest discretion in this matter, and while, therefore, I beg you, collectively and individually, to subordinate your curiosity in this respect to your interest, I tell you at the same time that if any pressure is put upon me I shall place the whole of the details before you. . . .¹

In the same speech, the bank's acceptances were analysed:

One word with regard to our acceptances. This is a matter upon which a good deal is often said, especially in reference to the danger of them. Now, without going fully into the question, it may interest you to know what this figure of £1,074,000 really

much consideration . . . decided to reduce the interest allowed for new money on call to $1\frac{1}{2}$ per cent below the Bank rate, and a higher rate of 1 per cent below the Bank minimum for all new money at seven days' notice. These tentative, and I may almost say over-cautious steps, are all the board have deemed it prudent to adopt, but they do not abandon the hope of proceeding further in the same direction, but it may well prove possible that the steps already taken may prove adequate to the exigencies of the case.' (*Ibid.*, 1876, p. 96.)

¹ *Bankers' Magazine*, 1869, p. 206.

means—the amount to which you, as partners in this undertaking, are practically liable for. It is made up of engagements which, I must say, have very little to do with each other, but I will explain them. There is an amount of £285,000, which represents country drafts, drawn for seven, fourteen, or twenty-one days, by country bankers upon us as their London agents: in fact, they represent part of the currency of the country. They are drawn for very short periods, and the acceptances are invariably covered, not only by the guarantee of the bank, but by special securities lodged with us, and I am sure that even those who are most hostile to a bank giving its acceptances would not consider this particular class of acceptance open to criticism. There is another amount of £544,000, representing acceptances given at the instance of our country banks in favour of local customers. . . . There was a sum of £98,000 given under somewhat similar circumstances to several respectable colonial banks, and . . . the whole amount they were liable for in London was £139,000 on behalf of a few highly respectable London firms, who kept handsome current accounts with the bank, and which had won high consideration by the prudent and honourable manner in which they conducted their business. . . .

In 1875 Mr. William Hamilton Crake, a Director of the London and Westminster Bank, gave evidence before the House of Commons Select Committee on Banks of Issue. Asked whether the London and Westminster Bank accepted largely, he explained that the complete avoidance of the acceptance business was impossible, but that the London and Westminster Bank avoided it to the utmost of its ability. ‘Many accounts of great value are refused, simply on the ground that they would involve foreign acceptances.’ The attitude of the bank was that ‘we hold that the public entrust us with large deposits and large funds, and that the security of our property should be here on the spot, and not broadcast over the world; that our credit and our funds should be available here, and not made use of as it were by granting a double credit in foreign and colonial countries, either in India, or Australia, or America, or wherever it may be. We hold that the depositors have a right to look for the proceeds of their property entrusted

to us being on the spot, and not used abroad'.¹ The bills accepted were 'mainly for bankers': asked whether the London and Westminster Bank granted credits (presumably acceptance credits) the witness replied, 'Yes; we cannot absolutely avoid doing so. The competition between bankers is such, that it would not be possible for a joint stock bank in London absolutely to say that they would not under any circumstances grant a credit'.² To this hostile attitude towards acceptance business the witness adhered throughout the remainder of the cross-examination.

III

If the Directors evidently felt it necessary to explain the acceptance business of the bank, it was probably because they had lively recollections of the frankness of speech of some of their proprietors and co-directors on other aspects of the bank's business. In 1858, for instance, one of the officials of the bank, who was also a shareholder, bitterly attacked the Board for lending £500,000 to the East India Company on East India Stock at 6 per cent. Mr. Moxon's address on this occasion traversed the whole policy of the institution:

He was one of the oldest partners in the bank, and he believed that without his exertions and those of his brother it could never have been brought into operation. They had seven branches, and it was a ground of just alarm that the chisel might on any night be put into the lock of one of their boxes and that they might thus be robbed of an incalculable amount. He did not care whether he stood alone or not upon that occasion. He was so rich that there was no sum he could lose as a shareholder for which he cared one damn [*Hisses, and loud cries of 'Order' and 'Chair'*]. . . .

He confessed that he should like to have an audit of the bank, and to have the capital of the bank put into trust. . . . It appeared to him that it was high time they should be made thoroughly acquainted with their position. He wished to ask the chairman, on what principle so large an amount of money had been lent to the East India Company at a time when it looked as if India must fall

¹ Q. 7320.² Q. 7370.

from our grasp? He would repeat that statement, and he said further that it was still a matter of doubt whether India might not be torn from us. . . . He was convinced that at the time the loan was made to the East India Company, India Stock was totally unsaleable in our money market. He would undertake to say that if £200,000 of India Bonds had then been brought into the money market, they could not be sold at 10 per cent discount. He wanted to know what were the grounds on which that advance . . . had been made; and he should add that he thought they had a right to be put in possession of the real state of their own affairs. Were they to meet there twice a year, and learn nothing of what was going on in their establishment? They had no audit which would tell them their exact condition, and he maintained that such an audit was desirable. . . . In his opinion, their paid-up capital was at present too small, and he should be glad to see it increased.¹

The Chairman returned the bold answer which roused the cheers of satisfied shareholders, but the intrepid Mr. Moxon returned to the attack at the next meeting. Evidence, moreover, survives to show that even within the Board itself there was at times an acute division of opinion on the advisability of certain investments.²

¹ *Bankers' Magazine*, 1858, p. 190.

² Among the Westminster Bank papers there is still to be found, in its original envelope, the following letter from Alderman Salomons, marked 'private' and dated 1st September 1852 (written on bank notepaper):—

My dear Chⁿ,—I am sorry to learn that at a small Board today a resolution was come to that we should take a line in the new loan for the *Turkish Bank*. This seems to me so great a departure from our usual principle of business, that I do think it ought not to be acted on till the Board should have had an opportunity of considering whether they will so far relax their usual course of conduct in respect to foreign speculations. I do not discuss whether this new stock be or be not an eligible general investment of money. I am, however, quite sure that an application from our Bank will become a subject of conversation for the purpose of giving the new security a character and we shall possibly be judged as paying our high dividends from these speculative things rather than from the scrapings [?] of slow and less adventurous business. Pray consider these hasty lines—and surely if you are to adopt a Turkish bank what can you say for not having subscribed to the Australian similar undertakings?

IV

From the beginning, attempts were made to obtain customers not only within the London area, but outside it, and these efforts throw light upon the business principles of the bank. In March 1834 letters were sent by the General Manager to prospective customers in the provinces, which make clear, not only what the terms of business were, but also what the Directors regarded as 'good banking security':

1. In reply to your favour . . . I am directed to acquaint you that this Bank will be happy to receive your account either upon a quarter per cent Commission on the Debit Side or the lodgement of a balance that may be considered equivalent to the trouble of the account—at your option. The Bank will have no objection to discount approved bills for you at the market rate of interest. The bill on Spooner & Co. for £400 which, when due, will be placed to your Credit would, had you desired it, have been discounted at 3 per cent.¹
2. In reply to your letter of this date I have to acquaint you that the Directors of this Bank do not consider it expedient to advance money upon Mortgage or similar dead securities.²
3. In reply to your favour . . . I am directed to repeat that the Directors do not consider it expedient to advance money on Policies of Insurance or other dead securities: But they will be happy to open an account for you upon the usual terms—viz. by charging you $\frac{1}{4}$ per cent on the debit side in name of commission for conducting it—provided you do not prefer keeping such a Balance at your credit as may be considered equivalent to such a Commission.²

The objection to 'dead securities' persisted: in 1879 the shareholders were told that the bank had 'no large accounts,³ none which they were obliged to nurse, and none which gave them any anxiety; they had made no

¹ *Sundry Letters*, p. 103.

² *Ibid.*, p. 110.

³ The London and Westminster Bank did not pursue the practice largely followed by the London and County Bank, of giving detailed information as to the number of its customers. In 1869, however, the Chairman informed the shareholders that 'We have now as many as 18,000 accounts open'. (*Bankers' Magazine*, 1869, p. 876.)

advances to factories, mines or ships,¹ or on anything but

¹ Among the early customers of the London and Westminster Bank, who gave the Board much trouble, were the Commercial Blackwall Railway Company and the Eastern Counties Railway. So little hitherto has the relationship between early British joint stock banking and railway finance been studied, that the following references to the private minute book may prove interesting :—

1. *Blackwall Railway*, 17th June 1841: 'Mr. Gilbart was directed to call upon the Secretary of the Blackwall Railway upon the state of their account.' 24th June 1841: 'A Deputation from the London Blackwall Railway Company attended the Board . . . when after a deal of conversation, & making all sorts of propositions, to induce the Board to increase our advance to them from £85,000 to £128,000, which of course was refused, the Committee came to the decision of only paying a Bill of theirs due on the 28th inst. for £2,800 & at the same time recommended the Deputation to write the Board a letter, if they had any proposition to make, as to reducing at least the overdrawn account.' 29th June 1841: 'Read a letter from Mr. Warmington, Secretary of the London Blackwall Railway asking for a further loan of £30,000 immediately £10,000 in July £10,000 in August, when by such arrangement they would then be able to pay off the overdrawn account of £15,700 making then the gross amount to be advanced £105,000.' 13th January 1843: '. . . Directors of the Blackwall Railway came to the Committee to support the application that had been previously made by letter from their Secy. for the Loan of a further sum of £15,000. The Committee granted the request upon the understanding that the Compy. should place in the hands of the Bank, beyond the deeds of the Property which is already advertized, and that which remains to be advertized for sale (estimated by Mr. Tite to be of the value at least of £38,000) Debentures to the amt. of £10,000, & a note of hand signed by the Directors for £5,000, or of £15,000 of Debentures at the option of the Blackwall Directors with their note for £5,000, upon the payment of which they shall be at liberty to withdraw £5,000 of the Debentures.'
2. *Eastern Counties Railway*, 9th August 1838: 'Read a Letter from the Eastern Counties Railway, stating their anxiety to prosecute their works with vigour, & to enable them to do so ask of this Bank the advance of £25,000 on the Cr. of the arrears of calls still due (abt. £100,000) the money they say will be wanted (the most part of it) during the next fortnight at such a rate of Int. as the Bank may be pleased to ask.
Resolved that this Bank give the required accommodation@4 p. ct.'

what they considered banking securities of the highest character'.¹ The pursuance of a very conservative policy brought its reward in the shape of a low loss-ratio: 'During the thirty-five years that this bank has been in existence', the Chairman said in 1870, 'the total amount written off for bad debts is £416,000, that is a fraction under £12,000 a year; and within that period we have divided among you in dividend and bonus no less a sum than £5,329,444 and we have, besides, accumulated £500,000 towards the rest, which now reaches £1,000,000'.² But this comfortable state of affairs did not last: in the 'seventies, by adhering to the policy of considering only 'banking securities of the highest character', the London and Westminster Bank was involved successively in the Collie frauds of 1875—which necessitated a special appropriation of £500,000 and a halving of the dividend³—and the Glasgow Bank difficulties of 1878.⁴

v

A definite change is to be noticed in the position of the London and Westminster Bank in the middle of the seventies of last century. The trend of deposits until then was upwards, broken, it is true, by the set-backs accompanying the transition from the upward to the downward swing of the trade cycle. This upward trend culminated in 1874 when the deposits of the bank stood at £30 millions. Thereafter this figure was never to be reached again; for some years there is a definite decline with a maximum decline of some £8 millions. But even after definite recovery took place, there is a high degree of irregularity in the yearly movements. To some extent the decline in the

¹ *Bankers' Magazine*, 1879, p. 124.

² *Ibid.*, 1870, p. 128.

³ *Ibid.*, 1875, p. 662 *et seq.* Alexander Collie & Co., East India merchants, failed on 15th June 1875, estimated liabilities being £3 millions. It very soon developed that fraudulent bill transactions on a large scale were involved.

⁴ *v.* above, p. 208 *et seq.*

volume of deposits was due to deliberate policy; the depression of the late 'seventies and early 'eighties made it difficult to employ funds profitably, so that the shareholders were told in 1876 that the bank declined receiving deposits 'which could not be employed with advantage to the Bank'.¹ But other factors were operative as well—the sharp decline between 1877 and 1878 was due to the repercussions of the City of Glasgow Bank failure: whilst business losses by customers in consequence of the depression were urged as a partial explanation in the middle of the 'eighties.²

At the same time profound changes were affecting the assets of the bank. With smaller deposits, lower interest rates, and increased competition, the bank found itself, not in a dangerous, but in an uncomfortable, position. In February 1886, a special committee to investigate the situation was appointed by the Board of the bank; its report was signed on 9th March 1886, and was discussed on 17th March 1886. The following is taken from the private minute book of the bank:³

*Report of the Special Committee
appointed 3rd February, 1886.*

The Special Committee appointed by the Board under date of 3rd Feby last has had several meetings, at one of which it was assisted by Mr. Astle, & has very attentively considered in its various phases the subject referred to it—

The great competition which now exists for the undoubtedly much diminished supply of first class bills renders it more difficult than it was some years back to maintain the amount of bills discounted—

On the 31st July 1874 the item 'Brokers bills' figured at over 9 millions Stg. This item has always necessarily fluctuated considerably, but it now seldom exceeds 3 millions Stg. & has been as low (on 31 Dec 1878) as £1,369,000—& the total discounts of the head office which include Brokers Town and Country Bills, have fallen from £16,900,000 on 31st July 1874 to £5,900,000 on the

¹ *Bankers' Magazine*, 1876, p. 97. ² *Ibid.*, 1885, p. 183.

³ *Private Minute Book*, p. 543 *et seq.*

31st Dec 1885. In like manner Competition & the increased number of lenders have considerably curtailed the facilities of loaning money on the Stock Exchange. In the face of the diminishing earnings of the Bank, & of the increasing competition on all sides, it appears absolutely incumbent on the authorities of the Bank to endeavour to improve its earnings, either by adopting some modification of its modes of working, by striking out new lines of business, or by opening fresh Branches.

At present your committee inclines to a modification of the modes of working, & it therefore recommends the following plans to the attentive consideration of the Board.

1st. A reduction in the Balance at the Bank of England—for some years past it has been the practice of the Bank to work up to a balance of about £2,500,000. Your Committee is of opinion that under normal conditions an average balance of about £2,000,000 will amply suffice for the ordinary requirements of the bank: especially if supplemented by a sufficient holding of Treasury Bills to meet any sudden withdrawal of important sums by the larger depositors.

2nd. Your Committee recommends that it is advisable to work more closely at current rates rather than strive to maintain rates by holding out for extreme prices. By adopting this system it is hoped that a better supply of bills may be obtained.

3rd. Your Committee recommends that power be given to the Manager to discount at current rates such first class bills as may be offered by firms or individuals not keeping their accounts with the Bank, such discounts being treated on the same system as those of the Bill brokers—this system has been adopted with reference to some few accounts, & has been found to work well & with advantage to the Bank.

4th. The Committee recommends that greater efforts be made to loan money on the Stock Exchange.

5th. Your Committee recommends that the acceptances of the Bank be increased by granting facilities in that direction to well established Foreign & Colonial Banks. Hitherto in its desire not to interfere with those of its customers who transact that class of business the Bank has almost entirely refused its acceptances. But now that the course of business is much altered & as it has become evident that the better established Foreign & Colonial Banks will not take their drawing accounts to Merchants, but insist on having the acceptance of Joint Stock or Private Banks

your Committee is of opinion that the time has come when the acceptance business of the Bank may be safely & profitably extended without fear of interfering with, or of offending any of its most valued customers.

In conclusion the Committee desires to say that without being very sanguine of the success of any of the plans now recommended for the adoption of the Board, it is nevertheless of opinion that these plans may be safely tried, & that they will result in some increase of Profits to the Bank.

B. DOBREE

9th March, 1886. Chairman.

The Committee consisted of
Messrs B. Dobree (Chairman)

Benecke

Bullen

Edlmann

Gadesden

& Sir John Rose

The chart at the end of vol. II will show that the combined figure of loans and discounts never attained, after 1885, the maximum it had reached in 1874, but fluctuated between £14 and £18 millions, though for some years after 1886 there is a rising trend. The really significant change in the figures is in the movements of the Government Securities and the volume of cash and money at call: the former is kept at a fairly steady figure, the latter rises sharply about the time when this report was issued. In all probability these changes reflect not so much deliberate policy as the response of the bank's Board to the money market situation, especially to the problem presented by the depreciation of securities after the turn of the price-tide in the 'nineties.

IV

A NEGLECTED EPISODE IN THE HISTORY OF LONDON BANKING

At the annual general meeting held on 19th January 1876, 'Mr. Sebastian Gassiot said that a short time since

the shareholders received notice from his father, Mr. J. P. Gassiot, lately a director of the bank, of his intention to move a resolution; but, owing to indisposition he was unable to be present, and had therefore requested him (the speaker) to attend, and move the resolution. Therefore, pursuant to notice given by his father, he moved, "That the Directors are authorized to return to the shareholders the moiety of their dividend, which it is the opinion of this meeting they were, without sufficient cause, deprived of in July last, and that the amount required be paid out of the reserve fund". Although the motion was at once declared *ultra vires* by the Chairman, it was seconded by Mr. Deputy Elliot, who 'seconded the resolution, principally, that the shareholders might have an opportunity of discussing the subject. He certainly thought Mr. Gassiot had made out a good *prima facie* case. He thought the City of London would feel under an obligation to Mr. Gassiot for the bold statement which he had made in his most valuable pamphlet.' The motion was not put,¹ but the discussion of 1876 opens up an interesting sidelight on the relations between the Bank of England and the London and Westminster Bank during the Overend and Gurney crisis of 1866.

The pamphlet referred to by Mr. Elliot was published early in 1876 by Mr. John Peter Gassiot, F.R.S., who had been a director from 1826 to 1875.² It is a diffuse, rambling piece of work, by no means free from bias. Mr. Gassiot claimed the merit of having sanctioned the transfer of the business of the London and Middlesex Bank to the London and Westminster Bank when the former institution was on the point of suspending, but the historical importance of the pamphlet lies in the fact that Mr. Gassiot therein made

¹ *Bankers' Magazine*, 1876, pp. 98-99.

² *London and Westminster Bank: Address to the shareholders on their being unjustifiably deprived of the moiety of their dividend, July last year, and proposing that the directors of the London and Westminster Bank be authorized to pay the amount out of the reserve fund.* (London: Taylor & Francis, 1876.) Reform Club Library: Pamphlet Collection, Vol. 279.

public for the first time that during the panic of 1866 the London and Westminster Bank had borrowed from the Bank of England, and that neither this transaction nor a contra transaction was recorded in the books of the London and Westminster Bank. 'On the 6th of June, 1866, I gave notice that I should, on the following Board-day, when in the Chair, claim the attention of the Directors to the fact that there was not any record on the books of upwards of £1,000,000 of bills having been deposited with the Bank of England, or of the Bank of England subsequently having borrowed our notes day by day from the 12th of May to 6th of June'.

The form in which the 'Unrecorded Minutes' is presented in Mr. Gassiot's pamphlet is as follows:

UNRECORDED MINUTES, WEDNESDAY, 13TH JUNE, 1866

Present: Mr. Gassiot in the Chair.

Mr. Cattley.	Mr. Gadesden.
„ Chapman.	„ Gillespie.
„ De Vitre.	„ Hanson.
„ Dobree.	„ Norman.
„ J. Edlman.	Alderman Salomons.
„ Esdailc.	Mr. Tite.
„ Freeman.	„ Wallace.

The Chairman explained that the application to which he had alluded at the last meeting of the Board, was made to the Bank of England on the 11th of May by Alderman Salomons, the Chairman, with the concurrence of the daily Committee and some of the other Directors, for an advance of £500,000 on security.

On the 12th May the £500,000 was placed by the Bank of England to the credit of this Bank, £3624 being paid as discount thereon, being at the rate of 10 per cent. per annum; the £500,000 to be repaid on the 6th of June, it being also agreed on the part of the Bank of England that a further sum of £500,000 was to be at the disposal of this Bank on the same terms, should it be required, bills to the extent of £1,000,000 to be deposited as security with the Bank of England. On the afternoon of the 12th of May, bills to the amount of £1,059,029 were taken to the Bank by Alderman Salomons.

On the 21st of May a letter was received from Mr. Elsey, of the Bank of England, requesting to be relieved from the surplus amount of bills in his hands. To this time (13th June, 1866) there has not been any entry made of this important transaction on the Minutes—a transaction without precedent since the formation of the Bank.

On the 15th of May an application was made by the Bank of England to the London and Westminster Bank for the latter to pay in at the close of the day as many bank-notes as it could spare, irrespective of the usual payments—a transaction also without precedent.

On that evening (15th) £140,000 was accordingly paid in; and this system, at the request of the Bank of England, was continued day by day, in sums varying from £80,000 to £200,000 (as will be seen on reference to the daily cash balances), until the 6th of June.

The current cash balance at the Bank of England, in 1866, appears to have varied from £472,630 to £1,428,288, average £855,932.

The usual amount of bank-notes kept at the City office and at the different Branches has hitherto been about £310,000.

The Chairman submitted for the consideration of the Board that the current balance at the Bank of England shall not be reduced under £1,500,000, except sanctioned by the daily Committee; the amount of notes would remain as heretofore entirely under the control of the City Manager; the amount of notes at the Branches would remain under the control of the respective Managers, subject to the superintendence of the General Manager.

Experience to this time has shown that, under most trying circumstances, each Branch of the Bank as well as the City office was fully prepared to meet every emergency that *has* arisen without having recourse to the sale of any of the funded property of the Bank, the realization of money at call from the several brokers, or taking one shilling from the Bank of England of the £1,000,000 which had on the 12th of May been secured by the daily Committee in case of need.

[The minute then goes on to discuss in detail the daily cash position during the crisis, but the details throw no light on fundamental principles, and are therefore omitted here.]

Although from the preceding statements it would appear that there is no absolute necessity for altering the present system of taking moneys on deposit at immediate call, still, as public opinion appears to be prepared for some change, it may be worth the consideration of the Board at an early day whether an alteration would not be now introduced with advantage and with security to the Bank, more particularly against such a sudden run on deposit accounts as was recently experienced at the St. James's Branch of this Bank. The change, if made, nevertheless requires much calm and thoughtful consideration.

The preceding statements may not, however, be considered complete without some reference to the amount of Government stock held by this Bank as a reserve, but which during the recent panic appears to have been found by Directors utterly useless, even for the purpose of obtaining, *had it been required*, an actual temporary advance from the Bank of England of £500,000.¹

Gassiot's account of the discount transaction is substantially correct:

. . . the records of the Bank of England show that on the 12th May, 1866, an Advance of £500,000 was made to the London and Westminster Bank at a rate of 10%, (i.e. Bank Rate) until the

¹ Mr. Gassiot added the following comment (*op. cit.* p. 13):

After much discussion it was agreed that it was not advisable for a formal resolution to be placed on the Board Minutes, which had been proposed by the Chairman and seconded by Mr. Tite, to be entered on the Minutes, but that it was to be an understanding that the minimum balance at the Bank of England was not to be reduced to less than £1,500,000, without a resolution of the daily Committee.

The Chairman suggested that the Manager should, on the rough Minutes of the day, enter the amount of the Bank-of-England balance for the information of the several Directors who were present at the daily Committee, as they took their seats in the Board-room. This system has been continued to the present time.

It was agreed that the whole subject should be postponed until October, when it was again put off, and the fact that upwards of £1,000,000 of bills had been removed from the London and Westminster Bank to the Bank of England was not recorded on the Minutes until I brought the subject again forward on the day of my resignation, when I proposed that a lock and key should in future be kept, the key being placed in the Directors' box, the book to have a pocket in which sealed letters could be placed, with a list of gratuities privately distributed from time to time to the officers. I have since ascertained that such a Minute-book has not been ordered. [*Italics in original.*]

6th June against the collateral of £525,250. 13. 9. Bills deposited . . . Further, a correspondence book in use at the time shows that the following letter was posted on the 21st May, 1866 :—

This is confirmed by a record of the following letter from the Bank of England:

Wm. Ewings Esq.,
London and Westminster Bank.

The transaction of the 12th instant having been completed by the deposit of £525,250. 13. 9. against an advance of £500,000 repayable on the 6th June, I shall be glad to be relieved, at your convenience, from the custody of the surplus bills, amounting to £533,778. 9. 1. If you will be good enough to send with your authorization for their delivery I shall be obliged.

J. E. ELSEY

There is nothing discreditable in the fact that a commercial bank should borrow from the Central Bank at a time of great financial stringency, and it is useless to speculate, seventy years after the event, upon the failure to record this minute in the books of the bank. It was obviously undesirable to alarm public opinion by a publication of the facts at the time, but this does not explain the failure to record the transaction, at any rate in the private minute book—the depository of so many secrets.

The undertaking to pay surplus notes into the Bank of England every night, also mentioned by Mr. Gassiot, receives confirmation elsewhere—though that confirmation shows that the practice was not confined to the London and Westminster Bank, and cannot be construed as in any way a counter-consideration for favours bestowed, if that indeed were necessary in view of the fact that, from the business standpoint, the Bank of England was earning ten per cent on unquestionable security.

Mr. Henry Higgs, in his delightful personal contribution to the Centenary Volume of the (London) Political Economy Club, mentions that ‘When Palgrave was editing

the *Economist* he attended the Club more than once at the invitation of Newmarch.¹ At one of these dinners the Governor of the Bank of England, past or present (probably Horsley Palmer or Thomson Hankey), was pluming himself on the way in which the Bank had passed through the crisis of 1866 without infringing the Act of 1844. The amount of Bank Notes held during the worst time then was exceedingly small. Palgrave had himself rather wondered how, considering the amount of Notes which they must have had in their tills at their various country branches, . . . they had any left for Threadneedle Street. Newmarch soon settled the question. He took up the thread of discussion as the Governor left it. Casting aside his aspirates in his excitement, he said: "You did not break the Act, and I'll tell you 'ow you did it. You sent the 'at round Lombard Street every night, and we all paid in all the Bank Notes that we had, and we drew them out again the next morning. That's 'ow you did it.'" ²

V

ABSORPTIONS, AMALGAMATIONS, AND BRANCH
POLICY

I

In the main, the resources of the London and Westminster Bank were derived from the growth of its capital and reserves and the cultivation of its own business at head office and branches rather than by means of a long series of spectacular amalgamations and absorptions. One absorption of great significance did indeed take place when the firm of Jones Loyd and Co. was acquired in 1864. Apart from this important fusion, the London and

¹ William Newmarch, F.R.S. (1820-1882), the eminent statistician and collaborator of Thomas Tooke, F.R.S., the historian of prices. Newmarch was secretary of the firm of Glyn Mills Currie & Co., from 1862 onwards.

² Vol. VI of the *Minutes of Proceedings, etc., of the Political Economy Club*, London, 1921, pp. 350-351.

Westminster Bank took over the business of the Commercial Bank of London in 1861,¹ in consequence of an anticipated run upon the institution, and the business of the London and Middlesex Bank in 1863,² but in both these cases there was a liquidation of the banks in question, so that their shareholders did not become proprietors in the London and Westminster Bank.³

¹ For the history of this bank, *v. below*, Appendix III, p. 306.

² For the history of this bank, *v. below*, Appendix IV, p. 313.

³ It has been usual in the past to include among the businesses taken over by the London and Westminster Bank that of Messrs Strahan, Paul & Bates of Temple Bar, one of the oldest of the London private bankers (*v. Hilton Price, London Bankers*, 2nd Edn., p. 158). For this statement there is no authority whatever. The firm was hopelessly bankrupt, having assets of £127,670 against liabilities of £652,593, its losses being due mainly to the financing of a colliery and of the construction of railways in France and Italy. The parties tried to save themselves by selling securities belonging to their customers, and were all sentenced to long terms of imprisonment (Morier Evans, *Facts, &c.*, pp. 106-153). The London and Westminster Bank opened a branch at Temple Bar in 1855, the year of the bankruptcy, 'transferring to their service, as manager, Mr. Ward, the chief cashier of the old house, and employing several of the clerks' (*Bankers' Magazine*, 1855, p. 413). At a special meeting of the London and Westminster Bank on 18th July 1855, J. Lewis Ricardo, M.P. in the Chair, the shareholders were informed that 'the directors had thought it advisable to open a branch near Temple-bar. Hitherto the board had been anxious not to overstep those bounds of forbearance and courtesy which had . . . always distinguished the competition amongst banks, as compared with the competition amongst other trading companies, and acting upon that feeling they had until now never contemplated the establishment of a Temple-bar branch. But finding, from circumstances that had recently occurred, that it was likely there would be persons in that locality desirous of opening banking accounts, they thought they were doing no more than their duty to their proprietary in promptly taking measures for opening a branch there, and supplying the deficiency which the circumstances he alluded to had created. They had accordingly taken temporary offices in the immediate vicinity of Temple-bar, and had engaged a gentleman to manage their business who had been long engaged in the bank which had hitherto existed there, who was well known to the customers of that bank, and was well acquainted with the banking wants of the neighbourhood.' (*Ibid.*, p. 532.) This

The absorption of the London house of Jones Loyd & Co. by the London and Westminster Bank in 1864 had been preceded a year earlier by the taking over of the allied Manchester house of Loyd, Entwisle & Co. by the Manchester and Liverpool District Bank.¹ At the time negotiations began, the partners in the London house were Lewis Loyd (the younger), W. J. Loyd, and Henry Norman, who subsequently became a Director of the London and Westminster Bank. The course of negotiations can be followed, partly from letters sent to Lord Overstone by his cousin Lewis Loyd, and partly from the records of the London and Westminster Bank, which was represented in the proceedings by a secret committee consisting of Messrs Cattley, Dobree, and Salomons. From the tone of the first letter sent to Lord Overstone, it would appear that the initiative was taken by the firm of Jones Loyd & Co.:

London,
24th March, 1864.

My dear Cousin,

The Manager of the Bank I spoke of is of opinion that his Directors would be disposed to treat on some such terms as these:

To give a premium equal to 3 years purchase of the average net profits of the last 3 years at once, and at the expiration of 2 years to give a further premium equal to 2 years purchase in the event of the bulk of the business being carried over to and remaining with them.

much more probable version is amply confirmed by the minute book of the London and Westminster Bank.

On Hilton Price's authority also it was hitherto assumed that in 1849 the London and Westminster Bank opened a branch in Southwark, taking over the business of Young and Son (*op. cit.*, p. 181). But, in fact, the Southwark branch was opened on 29th February 1836 (*A Record of the Proceedings*, etc., p. 11), and no confirmation is to be found in the London and Westminster Bank's minute book of any formal or other agreement with Young and Son.

¹ On the history of these celebrated houses, *v.* below, Appendix V, p. 320.

To this proposal I have suggested as an amendment that a premium of 4 years purchase be given at once, the Purchaser taking the chances of the retention of the business.

It has also been suggested that a Committee of 2 or 3 of the Directors be appointed to carry on the negotiation under the seal of secrecy, and thus to prevent the inevitable publicity which the negotiation would acquire if conducted by the whole board.

Towards the middle of next week we expect to hear something further on the subject.

Yours very sincerely,

LEWIS LOYD

Within five days the negotiations had come to a successful conclusion. Lewis Loyd, writing to Overstone on 29th March, mentions in the postscript that 'the matter has been arranged on the terms proposed by me'. The letter follows:

London,
29th March, 1864.

My dear Cousin,

We have had a meeting to-day with the Directors of the L. & W. Bank.

They wish to purchase the business and premises and lay particular stress on the moral sanction that *your* account being kept with them would convey. Our interview resulted in their asking us to name the price we would take for the business and premises—when we asked £200,000, viz. £125,000 for the business and £75,000 for the premises.

They retired and in five minutes returned with an offer of £175,000 for the two, setting the premises at £60,000 and claiming a reduction of £10,000 in our estimate of the business on the ground that the interest of £30,000, which represents in our case the rent of the premises is inadequate. Their offer again refers to your account as most important to them as evidence of your sanction. We declined to accede to these terms. They are to have a meeting of the Board to-morrow to communicate our offer. We told them we could not enter into any engagement on your account, but mentioned that our negotiation with them had your sanction.

We should be glad of your opinion on what I have stated, and if you feel disposed to promise your support in case of our coming to terms I believe it would facilitate the further negotiation. If you could kindly let me hear from you on Thursday morning I should be obliged.

Yours very sincerely,

LEWIS LOYD

Since the foregoing was written the matter has been arranged on the terms proposed by me, and it only remains to agree on the mode of carrying it out with the proposed Committee.

Mr. Alexander has been the channel through which the negotiation has been conducted and it is thought desirable that he should continue to act in this capacity. He leaves town to-day for Malvern to return next Tuesday, when the consideration of the subject will be renewed.

L. L.

Next day Overstone replied, promising his moral support:

Lockinge House,
Wantage, Berks.

My dear Lewis,

I shall be glad to learn that the negotiation with your neighbours has been brought to a conclusion which is satisfactory to yourself and to my Cousin William. You have, no doubt, a valuable business to dispose of, and the acquisition of it is peculiarly desirable for the parties with whom you are in treaty.

My sympathies are identified with the old Concern; and if the contemplated arrangement is settled to your satisfaction, it will have all the moral sanction and support which it is in my power to give to it. I shall direct my Rents, Dividends, and other Receipts to be paid to the credit of my account with the new concern as they have hitherto been passed to my credit with the old concern, considering in fact that the old concern still exists, tho' brought into new association and conducted by new parties.

Hoping to hear that this matter has been finally settled to the satisfaction of all parties, I remain,

Yours very sincerely,

OVERSTONE

30th March, 1864.

Lewis Lloyd, Esq.

On 31st March and 2nd April, Lewis Loyd again wrote to Overstone: these letters are self-explanatory:

London,
31st March, 1864.
My dear Cousin,

I have only time to thank you very sincerely for your letter, which has given the greatest satisfaction to all parties concerned.

An agreement is signed for the transfer of the business on the 18th April, and the price for the goodwill and premises fixed at £187,500.

We are now most busily engaged in writing to our Country Banks and preparing a circular, to be sent out to the customers generally to-morrow.

Yours very thankfully,
LEWIS LOYD

London,
2nd April, 1864.
My dear Cousin,

Many thanks for your letter received this morning. Our secret came out a day sooner than we intended, but I am not aware of any inconvenience having resulted from this circumstance. The announcement has put all the Joint Stock Banks on the alert, and the canvassing for accounts is going on with the greatest activity. So far as the short interval permits us to form an opinion, we think the bulk of the business will go over to the 'L. & W.'. The Country Banks have all expressed the most friendly feeling to us, and though they require in most cases time to consider their future arrangements their replies lead us to expect their concurrence in our arrangements. The case of our clerks promises to be easier to us than we expected. Kirby has been engaged by the Imperial Bank with a salary of £1,000 a year and a prospect of further advance. His two sons are taken by the same establishment at £400 a year each. The competition for our best clerks has been most active, and I had to represent to the 'L. & W.' that they must take immediate steps if they wish to prevent the brains of the establishment from being transferred to other concerns. This has resulted in their engaging all but the Boys, and some of them they take also. The notice of 'your concurrence and approbation' in what we have done, as stated in

the 'Times' was not our doing. We authorised nothing, but merely gave the circulars to the representatives of the papers who asked for them. Our intention is to balance our books on Saturday, the 16th, and to carry over the balances of the assenting parties to the books of the 'L. & W.' on the 18th. They are issuing a circular to this effect, and pointing out to the assentors that their account can be conducted in the City or St. James' Square at their option.

William begs me to say that he hopes you will attribute his silence in the course of this transaction to its true cause, viz. his entire absorption in the matter in hand.

Yours very sincerely,

LEWIS LOYD

The reaction of opinion was immediate: 'The event is in itself the greatest blow that has ever yet fallen on the system of private banking; it is a big confession that the era of private firms has passed, and that the day of joint-stock banking is fully and finally acknowledged. It is an avowal that the one kind of institution must give way to the other, which is the better.'¹ On the day that the news became public, W. G. Prescott, of the eminent private firm of Prescott, Grote, Cave and Co., of Threadneedle Street, wrote to Overstone a pathetic note: 'The addition of your influence to the Joint Stock system is the most serious blow that private Banking in London has yet felt', thus repeating in almost identical words the view expressed in the leading article quoted above. The letter follows:

62, Threadneedle St.,
London, E.C.
April 2nd, 1864.

To the Rt. Hon. Lord Overstone,

My long standing esteem and affectionate regard for yourself, my dear Overstone! will not permit me to pass this day without writing to you and expressing my sincere regret at the loss which

¹ First leading article in the *Daily Telegraph* of Saturday, 2nd April 1864.

the City has sustained by the withdrawal of the Firm in Lothbury from the list of private Bankers.

Under your guidance and from your adherence to principle, the House of Jones Loyd & Co. was an ornament to the profession, and I am sorry that we shall no longer have their practice of pure and safe Banking as an example to be followed by our class.

I have seen your cousin Lewis and heard from him the personal reasons, which, with your concurrence, have occasioned his Firm to transfer your old business to the London & Westminster Bank.

However conclusive those reasons may be, the voluntary abandonment of so good a concern, and the addition of your influence to the Joint Stock system is the most serious blow that private Banking in London has yet felt. I am myself too old now to have much interest in the contest between private and Joint Stock enterprise, but I feel regret, which I am confident you must share, at the impending changes, under which individual responsibility and good personal characters will probably fail to make head against Secretaries and Boards of Directors of Joint Stock Establishments.

Under all changes, however, be they for better or for the worse I shall remain, my dear Overstone,

Your sincere Friend,

W. G. PRESCOTT

As already stated, the price paid for the acquisition of the business amounted to £187,500, 'which consideration of £187,500 is as to £72,500 part thereof for the purchase of the freehold property after mentioned and as to £115,000 for the good will of the business of Jones Loyd & Co.'. The transfer of the goodwill of the business was to be made on April 18th and the 'conveyance of the Banking house and premises to be made on or before the first day of May next'. Further, 'on the transfer of the balances of the Customers of Jones Loyd & Co. to the said Trustees the London and Westminster Bank shall hold the balance of each customer subject to such lien as Jones Loyd & Co. would have had thereon as against such customer in case such transfer had not been made and the London and

Westminster Bank shall indemnify Jones Loyd & Co. against the demands of each customer upon Jones Loyd & Co. in respect of the balance so transferred. As to any debts owing to Jones Loyd & Co. as Bankers whether arising from overdrawn accounts or otherwise the London and Westminster Bank undertake to collect the same for Jones Loyd & Co.'. ¹

It was not until 6th April 1864 that the Board of the London and Westminster Bank approved of the transfer. On that day² the Chairman reported the 'Transfer of the business of Messrs Jones Loyd & Co. to this Bank'.

Resolved That the Board approves of all the arrangements made by Messrs Cattley Dobree and Salomons for the Transfer of the business and Premises of Messrs Jones Loyd & Co. to this Bank, and the Board further requests them in conjunction with Mr. Gadesden and with the assistance of Mr. Norman to continue their services in completing all the necessary arrangements, and to take charge of all the Office details connected therewith.

It was unanimously agreed, that Henry John Norman Esquire be proposed as an extra Director of this Bank at the next General Meeting of Proprietors, and that he be requested to attend the Meetings of the Boards and Committees until his election at the next General Meeting of Proprietors be confirmed.

On 20th April, the following is recorded:

The appointment of the Clerks of Jones Loyd & Co. and the Salaries as agreed upon by the Committee on arrangement with Jones Loyd & Co. were reported to the Board and approved.

Read letter of resignation of Mr. James Barnes late with Messrs Jones Loyd & Co. which the Board accepted.

¹ Extracts from the MS. agreement signed 31st March 1864. By an indenture dated 16th April 1864, this agreement was confirmed and the Trustees of the London and Westminster Bank were appointed 'the true and lawful Attorneys or Attorney' of the partners of Jones Loyd & Co. to recover any or all sums due to the latter. These documents, in the possession of the Westminster Bank, were still in the original envelope with the seals unbroken.

² Board minutes of the London and Westminster Bank, under date of 6th April 1864.

The Chairman reported to the Board the results as at present ascertained, of the Transfer to this Bank of the business of Messrs Jones Loyd & Co.

Resolved That the thanks of the Board be given to Messrs Salomons Cattley and Dobree for their able and successful conduct of the negotiations with Messrs Jones Loyd & Co.

Resolved That a Gratuity of £2 be presented to each Clerk in the Town and Country Departments at the Head Office, in consideration of their extra work in connection with the transfer of the business of Messrs Jones Loyd and Co.

Read letter from Mr. Roy: Resolved That the arrangement with Mr. Horsley as communicated by Mr. Roy be confirmed.

Read letter from Mr. Roy requesting signatures to Deed of Arrangement with Messrs Jones Loyd & Co. which the Board authorized.

Finally, on 15th June, the Board resolved:

That subject to the consent of Messrs Jones Loyd & Co. the Chairman at the half yearly Meeting in July be at liberty to state the Purchase money paid to those gentlemen for their Premises, Business, etc., etc. That at present it is inexpedient to increase the Capital of the Company, but that it is desirable to increase the Reserve Fund to £500,000 in such manner as may be hereafter determined upon.

The absorption was naturally the main theme at the half-yearly meeting of the London and Westminster Bank on 20th July 1864. The Report related the fact: 'The sum paid, including their valuable freehold premises (at present temporarily used as the Country Office) is £187,500. . . . The sum of £80,000 has been appropriated in reduction of the amount paid to Messrs Jones Loyd & Co. . . . In accordance with the arrangements with Messrs Jones Loyd & Co., whereby Henry John Norman, Esq. was to be proposed to the Shareholders for a seat in the Direction, the Directors now recommend that Mr. Norman be elected an extra Director, in anticipation of the next Vacancy, and a Resolution to this effect will be submitted to the Meeting'.

The Chairman's speech was necessarily devoted in the main to the same topic:

He might mention that the present report stated the cost at which the company had obtained that valuable business, and thus put an end to the extraordinary rumours and the imaginary statements as to the large sum which had been paid by the company as the price of the amalgamation. The most fanciful and exaggerated statements had been prevalent on that point, and sums of money varying from £250,000 to £500,000, had been set down as the amount paid by the company to Messrs Jones Loyd and Co. for the purchase of their business. That secret was now out, but it disclosed another fact, which many men would not believe previously—namely, that a secret could be kept by a joint-stock bank when it was their interest that it should be kept. If a secret of this kind, known to so many, was so well kept when it was desirable for so many other people to find it out, they might very well suppose that nothing which arose between individual depositors and individual customers of the bank ever transpired.

The question with respect to the capability of a joint-stock bank to keep a secret had been completely solved in this case, because, although it was necessarily known to something like 150 persons, it was honestly, honourably, and religiously kept, until the board of directors with the sanction of Messrs Jones Loyd and Co., thought fit to communicate it to the shareholders that day.

He was gratified in being able to say that a very large proportion of the customers of Messrs Jones Loyd and Co. had come to the London and Westminster, which had, of course, to some extent increased their business, and had brought a very valuable connection to it. . . .

Another important point was, that by this arrangement they obtained the advantage of the premises adjoining them, which had been invaluable. In fact, he could not put a price upon them, for they could not talk about market prices in such a case at all, and one of their chief reasons for entering into and carrying on the negotiations was the advantage which would accrue to them as men of business from obtaining possession of these premises, and he was most happy to say that their expectations with respect to the additional advantage they would thus obtain had been more than realised. Part of the arrangement was that Mr. Norman,

jun., should become a director of this bank, and he was sure that the shareholders would gladly welcome the accession to their board of a gentleman so well known and of such deserved influence.¹

II

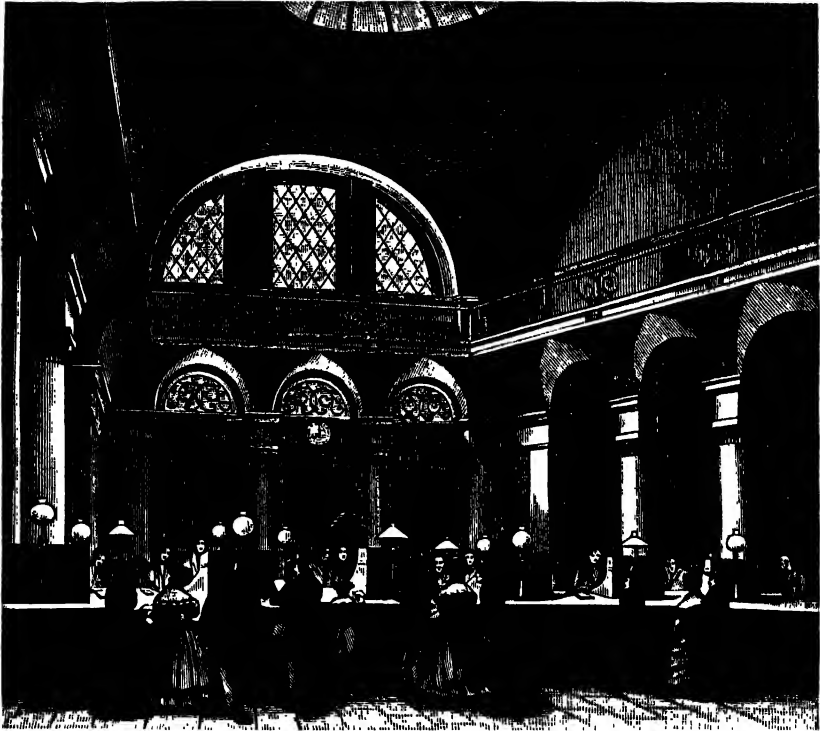
It was not until almost the end of the nineteenth century that the London and Westminster Bank entered upon a vigorous policy of branch expansion.

By the end of its third year of business, the bank had to inform the shareholders that it had already outgrown its premises in Throgmorton Street, and that the increase of business had 'made this inconvenience to be very sensibly felt'. Doubtless, too, a desire for more agreeable access than by a narrow tunnel from Throgmorton Street had directed attention to the possibility of a permanent building in Lothbury hard by, and in the third annual Report the Directors announced that they had bought the freehold property lately occupied by Messrs J. B. Pearce & Sons, the Army Clothiers and Blackwell Hall Factors in Lothbury, for £14,250; further, that negotiations were in progress for the purchase of an adjoining building (an inverted L-shaped site embracing the inner Whalebone Court frontage, owned by Messrs Jones Loyd & Co.).

The next Report, early in 1838, revealed that the second bite had been taken at a cost of £9,500, and plans prepared for a building with a 'characteristic elevation' at a contract price of £15,654. Thus, with an allowance of about £1,400 for old materials sold, and £1,000 from the City of London for ceding an eight-foot strip of ground towards road widening along the Lothbury frontage, the site and building of its head office had cost the bank £37,000.

The Directors did not wish for a competition in the designing of the new building; but, in fact, some sort of contest ensued. Influenced, perhaps, by the refined elegance of the newly built Dividend Warrant Office of the Bank

¹ *Bankers' Magazine*, 1864, p. 736.



41 LOTHBURY: SIR WILLIAM TITE'S DOMED INTERIOR

of England, some of the Board had wished to turn to Mr. Charles Robert Cockerell to design their 'characteristic elevation'; he was rising to fame then, a scholar with an immense knowledge of classical art. Others wished for Mr. William Tite¹—soon to be the successful competitor for the new Royal Exchange. In the end, agreement was

¹ Sir William Tite's activities were not confined to the practice of a public architect. Besides being President of the R.I.B.A. he was, for instance, Member of Parliament for Bath, Chairman of the Bank of Egypt, a Governor of Dulwich College, and a member of the 1857 Select Committee appointed to report on the Bank Acts. He designed most of the railway stations on the line between Havre and Paris. He was an F.R.S., and a knighthood was conferred on him in 1869, four years before his death.

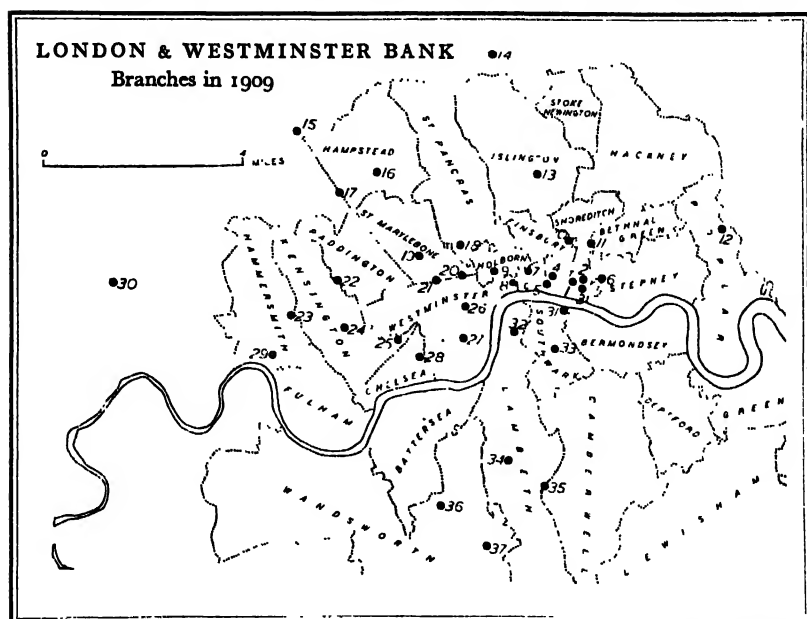
reached by the initiative of the architects themselves, who offered to work in collaboration.

Professor Cockerell (as he afterwards became) produced a façade of considerable dignity and severity, which remained as something of a landmark until its destruction in 1928 to make way for the present building, though the widening and curving involved by the great eastward extension of 1867 had robbed it of much of its essential character.

Sir William Tite's interior, particularly the lofty inner apartment known as the 'town bank'—square, domed, and galleried, with an immense beehive stove under the crown of the dome—had been remodelled by 1853, three years before Mr. Tite, as he still was, had been elected to a seat on the Board; certainly with the 1867 extension Tite's original work had vanished completely, to give place to an unusually well-lit but commonplace interior which, but for minor enlargements, remained until the past decade.



41 LOTHBURY: THE ENLARGED INTERIOR (c. 1868)



- | | | | |
|-------------------|--------------------------|-----------------------------------|--------------------|
| 1. Head Office | 11. Shoreditch | 21. Marylebone | 29. Hammersmith |
| 2. St. Mary Axe | 12. Bow Road | 22. Bayswater | 30. Ealing |
| 3. Mincing Lane | 13. Islington | 23. Shepherd's Bush | 31. Southwark |
| 4. Wood Street | 14. Hornsey | 24. Kensington High St. | 32. Lambeth |
| 5. St. Paul's | 15. Cricklewood | 25. South Kensington | 33. Newington |
| 6. Eastern | 16. Hampstead | 26. West End (St. James's Square) | 34. Brixton |
| 7. Holborn Circus | 17. Kilburn | 27. Victoria Street | 35. Herne Hill |
| 8. Temple Bar | 18. Tottenham Court Road | 28. Sloane Square and Belgravia | 36. Balham Hill |
| 9. Bloomsbury | 19. West Marylebone | | 37. Streatham Hill |
| 10. Old Street | 20. Oxford Street | | |

By June 1836 the bank possessed six establishments, and the number remained unchanged until 1855. From 1855 to 1863 the number was 7; the figure then stood at 8 till 1881. The change towards a more rapid rate of increase comes in the middle of the 'eighties: in 1890 the bank possessed 16 establishments, in 1900 there were 34, and in 1909, just before the amalgamation with the London and County Bank, there were 37.

It was in the opening years of the present century that branch banking policy and the possibilities of amalgamation became active subjects of discussion at the shareholders' meetings—in particular, a distinguished shareholder, Dr. C. V. Drysdale, kept on urging upon the Board the

expediency of opening more branches. In 1903¹ the rumours of an amalgamation were denied: 'there was no intention, at the moment, of any amalgamation'. In 1904 it was denied that there was an intention to amalgamate with the London and Provincial Bank;² whilst at the 1906 meeting Mr. H. C. Hambro protested from the Chair against the demand for amalgamations, new branches, or 'going into the country'. Stability, safety and gradual progress, he argued, were far better than too rapid expansion. Going into the country might imperil their valuable Stock Exchange and Colonial connexions, and banking facilities were already adequate in London.³ Branch banking in London, it was said in 1900, could not be compared with Scottish branch banking, 'as there the local solicitor was content, for a small remuneration, to manage the branch, which also helped to increase the circulation of notes'.⁴

In 1903, in reply to Dr. Drysdale,⁵ the Chairman argued that 'there might be 1,000,000 persons added to the population of London every 10 years or so, as Dr. Drysdale had suggested, but he was afraid that they had not £1,000,000 in their pockets to deposit with this or any other bank'.

VI

THE BALANCE SHEET POSITION

At the time of the amalgamation with the London and County Bank, the capitalization of the London and Westminster Bank was felt to be almost an embarrassment, 'While in their last statement', said Dr. Walter Leaf at the extraordinary general meeting on 6th August 1909, 'their paid-up capital represented 11 per cent of the liabilities,

¹ *Bankers' Magazine*, 1903, II, p. 400. ² *Ibid.*, 1904, II, p. 261.

³ *Ibid.*, 1906, I, p. 457.

⁴ *Ibid.*, 1900, II, p. 400.

⁵ *Ibid.*, 1903, I, pp. 473-4.

that of the London and County was under 5 per cent, and it certainly could not be said that the larger figure was necessary for the credit of their company, for the London and County Bank stood unquestionably in the very first rank. The effect of the company's disproportionately large capital was a lower rate of dividends, and that meant a smaller premium on their shares'. The problem of the proper capitalization of the bank was a long-standing one, so was the question of the size of the reserve.

Within fifteen years of the establishment of the bank, the paid-up capital stood at £1 million: since the deposits in 1849 were only £3.7 millions, the ratio of capital to deposits was 27 per cent. By 1865 the deposits had reached almost £20 millions, whilst the paid-up capital remained unchanged—though the reserve fund by this time had reached a figure of £338,000, the position had obviously changed to the disadvantage of the depositor. In 1866 the deposits moved up to £22.7 millions; the reserve stood at £450,000.

At the special general meeting held in July 1867, the Directors proposed to increase the capital by issuing 50,000 new shares of £100 each, at the rate of £30 per share, of which £10 was to go to the reserve fund—the effect of which would be to make the paid-up capital £2 millions, and the reserve fund £1 million. Addressing the shareholders, the chairman (William Tite, M.P.) explained that 'There could be no doubt that a feeling prevailed throughout the monetary world that, considering the vast amount of their deposits and current accounts, the capital ought to be increased, and that something more than £1,000,000 of capital and a reserve of £500,000 should be offered by them as an immediate security for the payment of their liabilities. That matter had occupied a good deal of the thought and care of the directors; and the result of their deliberations was that they thought it desirable that the capital of the company should be increased by £1,000,000 and that that £1,000,000 should be issued in

such a form as would raise their reserve fund to £1,000,000, so that their total capital would amount to £3,000,000. He believed the public would approve of that proceeding, and he had to state that it had been carried in their board *nemine dissente*.¹ The paid-up capital remained at £2,000,000 till 1879; it rose to £2,800,000 in 1882, and so remained till the amalgamation with the London and County Bank.

As early as 1850, when the reserve fund stood at only £110,000, efforts were made to limit its future growth—the dissentient shareholders being led on this and on subsequent occasions by Mr. William Tite, M.P., who was later to alter his opinion.² A vigorous discussion took place in 1854, when Mr. Tite argued that ‘with a capital of £1,000,000, and the power of raising £4,000,000 more, it could not be necessary . . . to have a rest of £125,000’.³ At the half-yearly meeting in July of that same year the issue was raised again: the Board did not think it wise to reduce the reserve considering the ‘state of politics and of the commercial world’, and circumstances might arise which would force on an increase. Mr. Tite returned to the attack, and secured the unanimous passage of a resolution that the reserve ‘be accumulated till £150,000 be raised, and that that sum be not increased except by a vote of the proprietors at a meeting, of which special notice shall be given by advertisement’.⁴

At the end of 1856 the reserve stood at £148,000, and again the question of increasing it came forward at the

¹ *Bankers' Magazine*, 1867, p. 807. The matter, he added later, had been discussed for two months, whilst ‘not a whisper with respect to it had reached the public. He believed that such a circumstance was creditable to the system on which the bank was managed’. The issue was raised again at the annual meeting in January 1868: ‘we did not seek to increase our capital from the necessity that existed that we should have more money, because we already had ample; but there was something due to public opinion’. (*Ibid.*, 1868, p. 150.)

² *Ibid.*, 1850, p. 501. ³ *Ibid.*, 1854, pp. 98–101. ⁴ *Ibid.*, pp. 468–470.

annual meeting in January 1857. The Chairman, Alderman Salomons, strongly pressed for a change—banking was coming under public discussion and he ‘trusted that it would not be in the power of any person to say that the oldest and most important of the joint-stock banks, whilst it went on increasing its dividends, did not make a sufficient reserve for the future’.¹ Finally, it was decided to postpone the issue for six months; at the July meeting, the Directors proposed a resolution increasing the reserve fund to £250,000—a proposal which was unanimously adopted.

By the end of 1862 the reserve stood at just over £250,000. Alderman Salomons expressed the view of the Board at the annual meeting in January 1862 by saying that ‘we do not ask you by any express vote to increase the reserve beyond the sum of £250,000; but we do suggest to you that we should continue, for the present at least, and whilst circumstances permit it, to add the interest upon the reserve fund, so as to further increase it beyond the present amount. The reason we make this suggestion is because we wish to show to our depositors that, whilst we are as anxious as other public companies to divide large dividends, we also wish at the same time that the public should see that we do not grudge taking some small sum every half-year and adding it on the reserve, in order to combine with our business those elements of prudence and safety which are looked upon with so much favour by all persons who deposit their money with establishments of this kind’.²

By this time, the Directors may be said to have gained their point: the reserve stood at £1 million in 1868 after the issue of shares at a premium. Fortunately so; for the Collie frauds of the ‘seventies reduced the reserve to £668,000 in 1875, and, with deposits of over £28,000,000, a smaller reserve might have proved disastrous.

The reserve was built up again: it stood at slightly over £1 million in 1879 and at £1,600,000 in 1882. Between 1888

¹ *Bankers’ Magazine*, 1857, p. 172.

² *Ibid.*, 1862, pp. 92–93.

and 1893 it remained at £1,656,000; between 1894 and 1902 it stood at £1,600,000. In 1903 the problem of depreciation of securities became acute. The report submitted to the shareholders in January 1904 remarked that 'In view of the depreciation of Consols, the Directors have resolved to write down the Bank's holding of £4,000,000 to 85, and for this purpose have transferred £200,000 from the Rest or Surplus Fund, which will now stand at £1,400,000'. The general reserve fund stood at this figure for the remainder of the bank's existence.

The percentage relations between the deposits and the paid-up capital and reserves can be summed up as follows. In 1850 the ratio was 28 per cent; in 1860 and 1870 it was 9.7 and 13.7 per cent respectively. In 1880 the ratio was 15.5 per cent; in 1890 17.2 per cent; in 1900 and 1908 it was 16.7 and 16.0 per cent respectively.

Reference has already been made in a previous section of this chapter to the change in the position of the London and Westminster Bank, so far as the growth in the volume of deposits was concerned, after the middle of the seventies of last century.¹ At this place, attention may be drawn to the changes in the relations between the bank's 'quick assets' and its liabilities on account of deposits and acceptances.² Four periods can be distinguished: (1) The first period for which full figures are available, viz., 1845-1853, when the maximum percentage was 26.25 per cent in 1847, and the minimum was 12.65 per cent with a declining trend; (2) The period 1854 to 1865, when the absolute level was low throughout—the maximum was 16.03 per cent in 1857 and the minimum 7.44 per cent in 1864; (3) The period 1866-1877, showing an improved degree of liquidity on the average, though the maximum of the previous period was not attained; (4) The period from 1878 onwards, with a high average level of liquidity—the

¹ Above, p. 268.

² Up to 1864, acceptances were not separately shown.

maximum being 41.34 per cent in 1908 and the minimum 22.08 per cent in 1878. In this period of thirty-one years the percentage ratio was below 30 per cent on only five occasions, and stood at over 40 per cent on six. Cash in hand and money at call were not separately shown before 1878: in that year cash in hand was more than twice as great as the volume of call-money; thereafter the position was to change, though there is no very clearly marked secular trend. The proportion of cash in hand to money at call fell during the 'eighties, though steadily—the minimum proportions being 57 per cent approximately in 1886 and 51 per cent in 1889. In the 'nineties, and later, the trend was in the other direction: in 1895 the proportion of cash to money at call was as high as 106 per cent approximately—the minimum proportion throughout the period being 54 per cent in 1905.

The only other relationship which requires mention is that between the loans and discounts of the bank and its investments. In the early years after the separation of these various figures from one another (after 1845), investments were about one-third in amount of the loans and discounts except in the crisis year 1848, when the proportion was almost 50 per cent: thereafter the proportion fell, reaching a minimum of 15 per cent in 1860. Between 1860 and 1870 the ratio was, on the average, somewhat higher, being generally in the neighbourhood of 20 per cent, though there were years in which the ratio sank far below—the minimum being 15 per cent in 1865. The 'seventies were, generally speaking, years with a low ratio; but a marked change occurs after 1878. In 1879 the ratio was as high as 48 per cent, and 43 per cent in 1880, and though this high percentage was not maintained, the relative significance of investments during the remainder of the bank's history was greater—the range of fluctuation being between 25 per cent approximately and 35 per cent, with a tendency to be in the neighbourhood of the lower figure.

APPENDIX I

THE EARLY COUNTRY BANK AND OVERSEAS AGENCIES OF THE LONDON AND WESTMINSTER BANK

(Based on the *Post Office Directory*, the *Bankers' Almanac*, and the
Report of the Committee on Joint Stock Banks, 1837.)

1834

G. A. Musckett, St. Albans (and 3 branches)		
Wilts & Dorset Bank, Salisbury		
(and 5 branches)	Est.	1836
National Provincial Bank of England		
(10 branches)	Est.	1833
Hemming, Needham & Co., Hinckley		

1835

The same

1836

The same, and also:

Agricultural & Commercial Bank of Ireland,		
Cork (26 branches)	Est.	1834
	[Failed	1836]
Bury & Heywood Central Bank	Est. Sept.	1836
	[Failed same year]	
Cheltenham & Gloucestershire Bank (1 branch)	Est. May	1836
East of England Bank, Norwich (18 branches)	Est. Dec.	1835
Leamington Bank	Est. May	1835
	[Failed	1837]
Leicestershire Banking Co. (4 branches)	Est. Aug.	1829
Northants Banking Co. (5 branches)	Est.	1836

Northern & Central Bank of England (38 branches)	Est.	1834
Failed and taken over by the National Provincial Bank		1836
North of England Union Joint Stock Banking Co., Newcastle (12 branches)	Est. [Failed]	1832 1847]
Oldham Banking Co.	Est. [Failed]	1836 1847]
Royal Bank of Ireland, Dublin	Est.	1836
Sunderland Joint Stock Bank	Est. [Failed]	1836 1851]
Western District Banking Co., Devonport (16 branches)	Est. [Dissolved]	1836 1844]
Yorkshire Agricultural & Commercial Bank, York (26 branches)	Est. [Failed]	1836 1842]

1837

The same, with the exception of:

Agricultural & Commercial Bank of Ireland

Bury & Heywood Central Bank

Leamington Bank

Northern & Central Bank of England

and the addition of:

Founded

Chesterfield & North Derbyshire Banking Co. December 1833

Herefordshire Banking Co. (9 branches) August 1836

Lichfield Tamworth & Rugeley Banking Co.
(2 branches) November 1835

(Agency acquired from Glyn & Co., 1837,
failed and taken over by National Pro-
vincial Bank, 1837)

North & South Wales Bank (21 branches) April 1836

Southern District Banking Co. 1836

(Taken over by Hampshire Banking Co.
1841)

Founded

Wilmshurst & Co., Cranbrook 1826
 (Taken over by London & County Bank,
 1843)

Foreign Agencies:

Madame Callaghan, Paris
 Dubois & Co., Le Havre
 Fowell, Budd & Co., Boulogne

1838

The same, with the exception of:
 Chesterfield and North Derbyshire Banking
 Co.

Lichfield Tamworth & Rugeley Banking Co.

and the addition of:

Newcastle Joint Stock Bank 1836
 [Failed 1846]

1845

*List of London and Westminster Country Bank Agencies in 1845**Founded*

Berkshire Union Banking Co.	July	1841
Cheltenham & Gloucestershire Bank	May	1836
East of England Bank	December	1835
Halifax Joint Stock Bank	November	1829
Herefordshire Banking Co.	August	1836
Lecds & West Riding Bank	November	1835
Leicestershire Banking Co.	August	1829
National Provincial Bank of England		1833
Newcastle Joint Stock Bank		1836
North of England Banking Co.	November	1832
North & South Wales Bank		1836
Northamptonshire Banking Co.	May	1836
Nottingham & Notts Banking Co.		1834
Oldham Banking Co.	September	1836

Founded

Sheffield & Retford Bank	September 1839
Sunderland Joint Stock Bank	August 4th 1836
Wilts & Dorset Bank	January 1836
Royal Bank of Ireland	April 1836
Leeds Commercial Bank	June 1836
Exchange Bank of Scotland, Edinburgh	
Union Exchange Banking Co., Glasgow	

Overseas Agencies:

Cape of Good Hope Bank, Cape Town
 Eastern Province Bank, Graham's Town
 Alexander Adam, Boulogne
 Madame Callaghan, Paris

Private Bank Agencies:

Bromage, Snead & Co.
 C. Jones, Llanfyllan
 G. Smith & Co., Manchester

APPENDIX II

TYPICAL EARLY AGREEMENTS CONCLUDED WITH COUNTRY AND OTHER CONNEXIONS

Among the documents in the possession of the Westminster Bank are two bound volumes, one of which is specifically labelled 'Agreement Book'. These books contain a fairly full record of agreements concluded by the London and Westminster Bank with its country and overseas connexions between the years 1835 and 1850. The earliest recorded agreement is with the Manchester and Liverpool District Bank, dated 1st January 1835, and this is reproduced here, together with the agreement with the Royal Bank of Ireland, dated 1st September 1836, and that with the Cape of Good Hope Bank, dated 3rd September 1840.

Terms on which the London and Westminster Bank take the
Agency of the

MANCHESTER & LIVERPOOL DISTRICT BANK

1. During the term of this Agreement the London & Westminster Bank shall set apart the sum of £100,000 which shall be invested or employed in Government Securities in any way the District Bank may require so as to be always available for the use of the District Bank. The interest for the first year shall be at the rate of $3\frac{1}{4}$ p. Cent.—For the subsequent three years the rate of interest to be fixed annually on the 31st Dec^r by the average price obtained for money by the London & Westminster Bank during the preceding twelve months, and the profit or loss of the investments shall belong to the District Bank. Whenever any emergency requires the use of the said £100,000 or any part thereof it is understood that the same shall be replaced so soon as the emergency has ceased.

2. The London & Westminster Bank will discount for the District Bank bills to the extent of £50,000 always current at the market rate of interest.

3. Interest shall be allowed and charged in the daily balance of the account at the rate of 3 p.C^t. But if the balance in Cash due to the District Bank should be more than £20,000 no interest shall be allowed on the surplus—or if the balance in Cash owing by the District Bank should be more than £30,000 the interest charged on the surplus shall be 4 p. Cent. unless otherwise agreed on at the time.

4. All discounts above £50,000 and all advances above the £100,000 and the limits of the daily balance as per clause 3 shall be the subject of special agreement at the time they occur.

5. The London & Westminster Bank shall always render their accounts in any way the District Bank may require.

6. The London & Westminster Bank will place at the disposal of the District Bank three thousand shares to be taken at par by the District Bank if they think proper at any time within One year from 1st of Jan^y, 1835.

7. The charge for the first year shall be Fifteen hundred pounds. In fixing the charge for subsequent years the London & Westminster Bank will be guided by the actual expence that has been occasioned by the Agency. At the end of the first year a sum shall be agreed upon which shall be the annual payment for the subsequent three years.

8. This agreement shall continue for four years from Jan^y 1st 1835.

We agree to the above terms on the part of the London & Westminster Bank.

Signed: DAVID SALOMONS	}	Directors
SAM ^L ANDERSON		
HEN ^y BOSANQUET		

J. W. GILBART, Manager

I agree to the above terms on the part of the Manchester & Liverpool District Bank.

Signed: JOHN JACKSON
General Manager

Terms of an Agreement whereby the London & Westminster
Bank are appointed the Agents of the
ROYAL BANK OF IRELAND¹

1. A Commission of nine pence per Cent shall be charged upon the debit side of the Account payable half yearly on the last days of June & December.
2. Interest shall be allowed upon the daily balance at the rate of two per Cent per Annum.
3. All discounts and advances shall be the subject of special Agreement at the time they are required.
4. This Agreement shall be binding upon both parties for three years from 1st Sep^r, 1836.

Signed on behalf of the
London & Westminster Bank } J. W. GILBART
at London 13 Aug. 1836 } Gen^l Manager

Signed on behalf of the
Royal Bank of Ireland } CHA^s COPLAND
at Dublin 21 Sep. 1836 } Manager

Memorandum of an Agreement between the London and
Westminster Bank and the
CAPE OF GOOD HOPE BANK

1st. The London and Westminster Bank will receive monies on account of the Cape of Good Hope Bank, and grant Letters of Credit for the amount on the Cape of Good Hope Bank to such parties as may require them.

¹ The minutes of the Royal Bank of Ireland contain the following entry, 19th August 1836:

... We proceeded to London on Saturday and on Monday morning Mr Herbt Hardie, accompanied by Mr Jones, arrived, and we all proceeded to the London & Westminster Bank respecting the Account, where we were met by the Chairman of the Directors and Mr Gilbert the Manager, when after discussing the nature of the business we proposed to transact with their Establishment it appeared to us, and the other Directors present, that we could arrange the entire of our business with the London & Westminster Bank without the necessity of opening an account with any other private Bank. We, therefore, in conjunction with Mr Hardie decided it was unnecessary to apply to any other Bank on the subject.

2nd. The monies thus placed to the credit of the Cape of Good Hope Bank may be withdrawn by drafts at sight or by Bills drawn without acceptance at such dates and for such periods as may be agreeable to the Cape of Good Hope Bank, but such drafts shall not be drawn until after the Cape of Good Hope Bank shall have received advice that the money has actually been lodged with the London and Westminster Bank.

3rd. The Cape of Good Hope Bank shall not overdraw their account nor have an open credit or discounts unless such an agreement shōd hereafter be made.

4th. The charge made by the London and Westminster Bank shall be a Commission of five shillings per Cent on the debit side of the account, and interest shall be allowed on the credit balance at the rate of three per Cent per annum. These charges and allowances shall be made half yearly on the last days of June and December.

5th. This agreement may at any time be cancelled at the pleasure of either party.

Signed in London on the 3rd day of September 1840.

On the part of the London and Westminster Bank

(Signed) J. W. GILBART
General Manager

On the part of the Cape
of Good Hope Bank

(Signed) S. B. VENNING
THOS. TENNANT

APPENDIX III

THE COMMERCIAL BANK OF LONDON

The Commercial Bank of London was founded in 1840. The intention of its promoters was to make it a purely London institution, cultivating agency relationships with other banks. 'The Directors', it was said in an anonymous pamphlet explaining the reasons for the establishment of the new bank,¹ 'do not contemplate the formation of a single *provincial* establishment, distinctly disclaiming all competition with other institutions, and purposing to confine themselves strictly to the law, imperfect as it is, though they of course will avail themselves of its power and privilege to the fullest extent—their sole desire is, to restore the business of banking to its original soundness and respectability, and to render their establishment the head quarters of Joint Stock and Private Banks. . . .'²

Founded only six years after the London and Westminster Bank had commenced business, and for many years its close neighbour in No. 6 Lothbury (hard by St. Margaret's Church), it failed to grow as rapidly as the other joint stock banks of the 'thirties, even if allowance be made for the fact that it was the junior institution. Thus, by 1850, the position of the various London joint stock banks was as follows:³

	<i>Paid up Capital</i>	<i>Reserve Fund</i>	<i>Deposits</i>
London and Westminster	1,000,000	100,100	3,969,000
London Joint Stock	600,000	137,100	2,950,000
Union of London	422,900	50,000	2,964,000
London and County	231,000	32,000	2,030,000
Commercial of London	134,780	20,600	613,000

The difference in scale, both as regards capital and deposits, is marked—though it does not follow that the business of the

¹ *Reasons for establishing the Commercial Bank of London. Addressed to the Directors and Managers of all Joint Stock Banks as well as to the Private Bankers of the United Kingdom.* (n.d.) (Pamphlet Collection, Library of the Institute of Bankers, Vol. IX.) The greater part of this pamphlet is taken up with the then conventional attack upon the monopoly position of the Bank of England.

² *Op. cit.*, p. 9.

³ The figures are taken from the tables in the 3rd Edition of James Knight's *The London Joint Stock Banks: their progress, resources, and constitution.* London, 1858.

Commercial Bank was in any way unsound, or that the bank, considered as a financial venture, was conspicuously less successful than the other banks. The active conduct of affairs was in the hands of Mr. Cutbill, who had been with the London and County Bank,¹ and who had joined the Commercial Bank of London at its inception. A special tribute to Mr. Cutbill, 'to whose exertions the Company were so much indebted, and who added the most indefatigable zeal to the most complete acquaintance with the duties of his office',² was paid at the meeting in July 1851, just at the time when an era of expansion began. By new issues of shares at a premium, the paid-up capital was increased to £300,000, and the reserve fund was raised to £63,000; the deposits of the bank doubled and stood at £1,266,000 at 30th June 1854.³

At the meeting in July 1855 (when the deposits had further risen to £1,317,000) the demand for greater publicity was made, as well as for the establishment of new branches. The Chairman said that 'they were precluded [by their deed of settlement] from having more than one branch, and the directors had no objection to give increased publicity to the principles of the bank, amount of capital, etc., though they did not think that they had the same reason to do so as the London and Westminster and other banks, which had been establishing additional branches, in consequence of recent events in the banking world'.⁴ The name of Sir Joseph Paxton, M.P., was put forward as a director, and—surprisingly enough, in view of his great contemporary fame as constructor of the building of the Great Exhibition of 1851 and of the Crystal Palace—was accepted only after discussion, there being legitimate doubts 'as to whether, with his numerous other engagements, he could give the necessary time to the discharge of the duties. Mr. Jackson, a director, explained that some of Sir Joseph's present engagements would shortly cease, and that he had been most useful, and would, as a director, be much more so to the bank, by the introduction of the accounts of persons of considerable position and influence with whom he had the honour to be acquainted'.⁵

¹ *v. below*, p. 355.

² *Bankers' Magazine*, 1851, p. 493.

³ *Ibid.*, 1854, p. 470.

⁴ *Ibid.*, 1855, p. 530. The reference is, of course, to the failure of the firm of Strahan, Paul, and Bates.

⁵ On Sir J. Paxton's activities at this time, *v. Violet R. Markham, Paxton and the Bachelor Duke*, especially p. 233 *et seq.*

In 1856 the position could still be described as 'satisfactory': deposits were up to £1.5 millions and the dividend was raised by 1 per cent to 7 per cent, making, together with a bonus of 4 per cent, 11 per cent for the past year.¹ But in the autumn of 1856 troubles began to assail the bank. Its credit was affected by the failure of the eminent contracting firm of Fox and Henderson,² associates in business of Sir J. Paxton, a director. At a special general meeting held in December 1856, the Chairman denied that the bank had sustained any loss: 'We are sorry for the misfortunes of Fox and Henderson, but it did so happen that we were warned beforehand not to take their paper, and after that were not likely to do so'.³ A whole series of questions were put to him, to all of which he was in a position to give satisfactory answers.⁴ Nevertheless, the deposits of the bank stood at only £937,000 at 30th June 1857. 'It will be seen', ran the report, 'that the business, and consequently the profits of the bank, have been much reduced by the unfounded and injurious rumours circulated in the autumn, which were brought to the notice of the proprietors at a meeting held in December last. The directors are happy to state that the explanations then given, together with the promptitude with which the pressure was met, had the effect of entirely satisfying both the proprietors and the public of the strength and solidity of its position. The directors could not expect, in the face of active competition, immediately to recover the ground then lost, but they have the satisfaction of stating that some of the accounts which had been withdrawn have since returned, and that many new and valuable accounts have been opened since the commencement of the present year'.⁵

The commercial crisis of 1857 led to a further loss of deposits—

¹ *Bankers' Magazine*, 1856, p. 527.

² They had been the contractors for the Great Exhibition of 1851. For the circumstances connected with the suspension of payments of this firm, *v. Ibid.*, p. 799.

³ *Ibid.*, 1857, p. 79.

⁴ The Bank had *not* borrowed from Jones Loyd: it was untrue that the Bank of England had investigated their affairs; members of the board were not allowed to be sureties for persons connected with or employed by the bank; the total of loans to directors was £20,000, and the securities taken were even greater than would be required from any private customer. The clause in the deed of settlement prohibiting advances upon the security of the bank shares was strictly conformed to; their cash reserve was 30 per cent; and at no time had the bank ever parted with bills or securities upon which advances had been made.

⁵ *Ibid.*, 1857, p. 694. The deed of settlement was altered, reducing the minimum number of directors from sixteen to twelve.

at the end of 1857 they stood at £822,000¹—though they increased to £935,000 at 30th June 1858. Six months later the deposits stood at £903,000 and in June 1859 at £878,000. It was clear that the Directors were finding it difficult to re-establish the position of the bank as it had been previous to the run of 1856, and it is not surprising that there was a certain restlessness among the shareholders which found expression in criticizing the market value of the shares, in demanding limited liability, and in putting searching questions to the Board.²

The criticisms continued in 1860: at 30th June 1860, the deposits stood at £980,000. In view of subsequent events, the remarks of the Chairman on the subject of their 'internal economy' sound ironical: 'because they could not conceal from themselves that every one must have had his attention called to the loss that had taken place in another bank. The directors had no reason to believe that there had been anything deficient in the management of the Commercial Bank, but as prudent men they thought it right to revise and examine closely to see that everything was right; and he was happy to say they found that their staff had been doing its work ably and efficiently, and that, so far as they could see, nothing had occurred to prove that revision was needed. In banks it might happen that losses occurred in the best regulated establishments, but he fancied that no very serious loss could happen under their system'.³

At the end of 1860 the deposits were £909,000, and a dividend of eight per cent was announced at the half-yearly meeting on 15th January 1861. The Chairman said that 'notwithstanding everything which had occurred, they were in a position to offer a no less dividend than on former occasions, and that on the whole they were doing exceedingly well': that the shareholders were not so well pleased is obvious from the discussion which followed.

¹ 'Our balance shows some diminution in its amount, but, in December last, our customers generally, finding money advancing to an enormous rate of interest, did not keep such large balances in the bank as they were in the habit of doing.' (Chairman at first half-yearly meeting, 19th January 1858: *Bankers' Magazine*, 1858, p. 182.)

² v. *Ibid.*, 1859, p. 117 *et seq.*; p. 533 *et seq.* The bank's connexions with the 'public works contractors' had brought it important foreign interests. The shareholders were told in July 1859 that 'through the instrumentality of Mr. Brassey and Mr. Jackson, they had been very materially connected with the Sardinian railways. Through those gentlemen they had formed many friends at Turin and other places, and had received large and beneficial balances from those sources, and consequent on the exercise of caution and discretion they had not sustained any losses'.

³ *Ibid.*, 1860, p. 587.

In view of these confident phrases the following events must have proved an unpleasant surprise for the shareholders.

Information was 'received at a late hour on the evening of Friday February 15th, that the bank had been robbed by a ledger-keeper at Henrietta Street [named Durden] to the amount of £67,000'. The Directors were summoned to meet next morning. 'At this meeting, after consultation with the solicitor and manager of the bank, it was determined that, as the first duty of the directors was to protect their customers against the run which was inevitable, it was desirable to seek assistance in some shape from one of the joint-stock banks. The London and Westminster being the largest bank, negotiations were at once opened with that establishment, and they engaged to advance any sum, not exceeding a million, which might be required to meet your liabilities; your directors undertaking, as far as lay in their power, to influence their customers to transfer their accounts to the London and Westminster Bank.' So ran the opening sentences of the report submitted to the shareholders on 19th March.¹ The step was defended on the ground that it was the only one open to the Directors: to close the bank would have been 'an unnecessary and unjustifiable cruelty to its customers': conditions were unpropitious in the money market, and therefore the shareholders would have suffered if the bank had stood up to a run: it was impossible to bargain for better terms because there was no time in which to do it; 'with a week—with forty-eight hours before them—they might possibly have done it; but Monday would have found the bank with a run upon it, and the London and Westminster positively refused to deal with us in any shape after a run had once commenced'. The transfer of the accounts to the London and Westminster was the price paid for 'having saved you from the anxiety and loss of a run. Doubtless it is a most painful price to pay; it was not agreed to until other proposals had been made and rejected; but if your directors are right in their belief that remunerative business was at an end, this price becomes nothing, as your accounts would have left you of themselves, as they did in 1856'.²

¹ The report, as well as the lengthy discussion following upon it, is reprinted in *Bankers' Magazine*, 1861, pp. 259–266.

² The impossibility of any other policy was also stressed by one of the Directors, Mr. Clay, M.P. The Commercial Bank was not in the same position as the Western Bank of London (below, p. 392). 'They sold themselves, taking plenty of time to do so. . . . The position of the Commercial was entirely different, they were threatened with an immediate run which would have utterly precluded the possibility of their making

The statement of liabilities and assets showed that between 15th February and 16th March 1861, customers' balances had fallen from £1·053 millions to £239,000: cash and bills discounted, etc., from £1·357 millions to £778,000, whilst the London and Westminster Bank had advanced £233,000. Against aggregate liabilities of £848,000 on 16th March, the bank possessed assets of £781,000—the difference being 'balanced' by Durden's frauds at Henrietta Street.

The situation was also discussed at the half-yearly meeting of the London and Westminster Bank on 17th July, Alderman Salomons being in the Chair.

'The chief incident of the half year,' he said, 'and no doubt you will expect some information from us upon it, has been the transfer of the business of the Commercial Bank to ourselves. You are aware that when our aid was solicited it was promptly given, and I believe the result of that aid was that the state of alarm which any great commercial establishment being in difficulties is calculated to produce in the commercial world, and amongst the public at large, was entirely got rid of. The effect of our interference was, that while a large portion of the accounts have come to us the proprietors of that establishment have been saved from depression, while all the customers of the bank were not under one moment's apprehension. . . . I may further say for ourselves—and it is perhaps something to say on behalf of the establishment for whom we interfered—that we should not have interfered if we had not, on a cursory examination by our chief executive officers, found the bank in such a state that we might safely take it. It required considerable advances on our part, which we were quite ready to give, provided we should not in the smallest degree compromise the interests of our establishment. . . . We took a great number of the staff of that establishment. . . . We have besides given fairly and liberally to those other officers of that establishment who were by this unlooked-for misfortune thrown on to the world. I think it is but fair to say that we

the arrangements they had done. For several hours before the arrangements were made with the London and Westminster Bank, it was stated in the City that they had been robbed of a very considerable sum; in one instance he knew it had been put down at a million. How it was a run did not set in on the Saturday he could scarcely tell, but it was clear that on Monday morning they would have to expect it. The London and Westminster said, "So long as you are in credit we will take you, but let the panic take place and we will have nothing to do with you". The London and Westminster did not assist them out of any particular love for them as a rival banking house, but because it saw it was desirable it should do so, and avert the frightful commercial crisis that the closing of the doors of the Commercial Bank must have occasioned. Why did they not sell the goodwill? had been asked. What bank would have given them anything for it at that time? Twenty-four hours before they were threatened with the disastrous run, it was worth at least £50,000; in 24 hours after it was worth nothing.'

acted towards the Commercial Bank with every consideration at that time. No doubt we shall profit by the accession of business that we shall receive, and I doubt not that in future years we shall find that it is considerable. But the present half-year does not show any profit derived from the transfer of the business of the Commercial Bank to ourselves.¹

Under date of 22nd July 1862, a circular letter was addressed to the shareholders of the Commercial Bank of London. One-half the capital had already been returned—the sum of £150,000 at five per cent having been borrowed for this purpose from the London and Westminster Bank. The remainder of the assets, many consisting ‘of claims secured by mortgages on land and houses’, was being carefully liquidated, and the Directors had taken the ‘best professional advice as to the value of these properties, which confirms them in the hope they have before expressed that the judicious realization thereof will enable them to return to the shareholders the whole of their remaining capital. One great object of the directors has been, as far as possible, to avoid litigation and consequent expenditure; and they are happy to say that hitherto their efforts have been attended with success’.²

On 12th June 1861, Durden and his accomplice, Holcroft, were acquitted on the charge of larceny, largely owing to the doubts entertained as to the guilty knowledge of the latter: next day other charges were preferred against them. Durden’s defalcations were shown to have started as early as 1851. The jury returned a verdict of guilty in the case of Durden (Holcroft’s case was postponed), and he was sentenced to fourteen years’ penal servitude.³

¹ *Bankers’ Magazine*, 1861, p. 574. One of the shareholders in the Commercial Bank, holding one share in the London and Westminster Bank, thought that ‘some liberal provision’ ought to be made to the shareholders of the former bank. Alderman Salomons energetically repudiated all liability: ‘The Commercial Bank had no power to transfer the business. Their customers were not like serfs on a Russian estate. Those customers could transfer their business where they pleased.’ The shareholders of the Commercial Bank were ‘saved going to the market at a time of great difficulty, when adverse reports were being circulated, and when, under such circumstances, to have realized property would have been to have sacrificed a large portion of it. With regard to ourselves, I will tell you exactly what was done. . . . For three months we charged no interest whatever, although we had authority by the deed to do so on any advances that we might make. We voluntarily gave that up for three months. We took eighteen clerks on to our establishment. . . . We paid a sum of £9,000 to be distributed amongst the other clerks of the Commercial Bank. These two sums together have prevented obtaining any profit this half-year. . . .’

² *Ibid.*, 1862, p. 535.

³ *Ibid.*, 1861, pp. 484–491.

APPENDIX IV

THE UNITY MUTUAL JOINT STOCK BANKING ASSOCIATION AND THE LONDON AND MIDDLESEX BANK

The first mention of the Unity Mutual Joint Stock Banking Association occurs in 1855. In that year, the *Bankers' Magazine*¹ referred to the circumstance that 'another project has been announced for the extension of the system of joint-stock banking, by the parties connected with the Unity Fire and Life Assurance Companies. The proposal is to introduce the principle of dividing the profits between the customers and the shareholders, both of whom are equally interested in the success of business; and if, under the deed of settlement, all legal difficulties can be obviated, the result may prove advantageous. The development of banking enterprise through such a medium will be very extensive, not only in the metropolis, but also in the provinces, if the progress of the present undertaking shall be found satisfactory; but, in the meanwhile, the promoters must be prepared to encounter an opposition which will in some measure test the practicability of their plans. With an influential proprietary and a widely distributed connection, the organisation of such an establishment could not have been more opportunely attempted, but it will require sound experience in every department to bring it into full and effective operation'.

In May 1855, counsels' opinions were circulated by the bank, showing that the 'proposed principle of mutuality without making the customers partners in the bank was practicable'.² Before the Board of Trade was willing to grant a charter under the 1844 Act, however, it insisted on the legality of the principle of mutuality being examined again.³ The first annual meeting

¹ *Bankers' Magazine*, 1855, p. 263.

² *Ibid.*, pp. 384-385. Counsel consulted included Sir Richard Bethell, the Solicitor General, Mr. W. Wellington Cooper, of the Chancery Bar, and Mr. James S. Willes, of the Common Law Bar.

³ *Ibid.*, 1856, p. 528, and B.P.P. of 1856, Vol. LV—*Cases and opinions laid before the Board of Trade with reference to the application for a Royal Charter for the Incorporation of the Unity Joint Stock Mutual Banking Association.*

took place on 11th May 1857, J. J. Mechi, Sheriff of London and Middlesex, presiding. Already a very distressing state of affairs was revealed—preliminary expenses on a paid-up capital of £150,000 and deposits of £176,000 amounted to nearly £29,000—including an amount of £591 on account of an ‘opening dinner at London Tavern’ and £6,000 to Mr. Thomas A. Baylis, for the ‘copyright’, presumably of the mutuality principle. A needless opening and closing of branches had been indulged in: branches had been opened at Leicester Square, Watford, St. Albans, Hertford, Ware, Brighton, and Pimlico, and preparations for branches at Aldgate, Holborn, Regent Circus, and Exeter had been made—‘Experience having proved that the success of these branches was doubtful, the directors have determined to close at Watford, St. Albans, Ware, and Pimlico, at Midsummer next. They have also declined branch banks which had been prepared at Aldgate, Holborn, Regent Circus, and Exeter. . . .’ Trouble had also occurred with the promoter: ‘At the urgent request of a large body of the shareholders, it was determined by the board that the connection of Mr. Thomas A. Baylis with the bank should cease’.¹

Eight months later, at the half-yearly meeting on 15th January 1858, an even more serious situation was disclosed: deposits were down to £140,000 and overdue bills amounted to no less than £40,000.² Naturally enough, the shareholders took alarm. On 4th March 1858, what was called by the *Bankers' Magazine* ‘an extraordinary meeting’ was called to consider the situation in case winding-up proved to be necessary, to which the Chairman and the Directors had not been invited. Great indignation at this conduct was displayed, and the meeting finally passed a resolution of confidence in the management in direct opposition to the views of those who had called the meeting together.³

The charge of extravagance and mismanagement in the early days of the bank, expressed by the Chairman of the bank at the March meeting, led the former manager, Mr. George Chambers, to issue a circular defending himself. He stated that at a special meeting of a committee of investigation held on 17th July 1857, resolutions were passed exonerating the management. He complained of personal malice and urged that any losses which had taken place since August 1857 were due to mismanagement

¹ *Bankers' Magazine*, 1857, pp. 543–550.

² *Ibid.*, 1858, p. 172.

³ *Ibid.*, p. 307.

by the Directors.¹ These charges against the directorate were withdrawn in a somewhat abject letter of apology dated 8th May 1858.²

The position of the bank steadily worsened. At the half-yearly meeting on 16th July 1858, it was revealed that the deposits had fallen to £103,000: the losses on overdue bills were £38,000, and preliminary expenses stood at £32,000. The bank, said the Chairman, was suffering from the 'adverse attacks of parties who once were connected by office with the bank'. Only two branch offices were left, Leicester Square and Brighton.³ £50,000 was called up to make the total paid-up capital £200,000—the amount received on the call being actually at the date of the balance sheet £11,000.

For the next few years matters appeared to improve somewhat. A rigid policy of economy was practised, large portions of the head office building at 10 Cannon Street were let, and the deposits appeared to be on the upgrade. At the meeting on 25th January 1861, it was announced that £38,000 would be written off capital account to meet past losses: deposits had risen to £136,000 and a dividend of 10s. per share was paid. At the same time a branch was opened at Lambeth.⁴ Six months later the deposits were £155,000—some £14,000 in excess of the actual paid-up capital, but preliminary expenses still stood at £33,000.⁵ At the end of 1861, deposits had actually risen to £177,000: meanwhile shareholders were raising the question of amalgamation. For the moment the Chairman rejected the proposal: 'He would give no opinion on that point, but the board having looked at that question, had decided at that particular time that they would not join with any other bank. He hoped they would go on persevering: at the same time, if the directors saw such a course clear as that hinted at, the shareholders might feel confident that the board would do all in their power'.⁶

The last available balance sheet appears to be that at 30th June 1862. At that time deposits stood at £159,000 and capital £141,000.⁷ At this stage the history of the Unity Bank becomes obscure, and is inextricably mixed up with the history of the London and Middlesex Bank. It was decided to wind up the former bank and to transfer the deposits to the latter bank, which

¹ *Bankers' Magazine*, 1858, p. 221. ² *Ibid.*, p. 446. ³ *Ibid.*, p. 627.

⁴ *Ibid.*, 1861, p. 171. ⁵ *Ibid.*, p. 629. ⁶ *Ibid.*, 1862, pp. 152–155.

⁷ Cited at the trial of the manager and secretary for publishing a fraudulent balance sheet. *Ibid.*, 1865, pp. 590–600.

was established in Finch Lane, Cornhill, the manager and secretary of the Unity Bank becoming officers of the new bank. At the Mansion House proceedings against them, it was said by prosecuting counsel that 'At the time the Unity Bank's affairs were wound up, the London and Middlesex Bank was started, and some of the directors of the Unity Bank being greatly interested in it, the shareholders were induced to invest this ten pound per share [the sum remaining on winding up] in shares in the London and Middlesex (*sic*), which started with a paid-up capital of £75,000, and was carried on under the management of the two defendants, as manager and secretary'.¹

The first 'Special Meeting' of the London and Middlesex Bank was held on 28th January 1863, Viscount Torrington presiding. A report was circulated, 'showing the bank's position after four months' operations'. The paid-up capital was then only £14,900, but the deposits stood at £261,700. Preliminary expenses were low—only £2,400—and bills discounted and loans figured at £222,700; not a single loss had been made in the first four months, so the shareholders were informed. As for the relations with the Unity Bank, 'the Chairman said the London and Middlesex Bank had nothing whatever to do with the Unity Bank in any way whatsoever. The Unity Bank was winding up its affairs, and the London and Middlesex Bank were the bankers for such winding up. When the London and Middlesex Bank was established the balance of accounts of customers of the Unity Bank were handed over to the London and Middlesex Bank; it took all their business without any of their liabilities. The customers' balances then amounted to £170,000. They therefore started with a deposit of about £170,000, and they had nothing to do with the liabilities. In his position he might state that the Unity Bank was winding up as rapidly as possible, and that the result would be, he believed, satisfactory to the shareholders. In consideration of having those deposits handed over to them, it was agreed that when the London and Middlesex Bank had a dividend on its paid-up capital of 5 per cent., it should pay for the business a sum of £10,000, which payment it had power to extend over six years'.²

The first ordinary general meeting was to prove the only one. On 30th June 1863, paid-up capital stood at £36,000 and deposits at £281,000. A dividend of four per cent was declared. There were two West End branches and another had been opened at Woolwich—'A numerous deputation had, he [the Chairman]

¹ *Bankers' Magazine*, 1864, p. 1131 *et seq.*

² *Ibid.*, 1863, p. 179.

might almost say, compelled them to open a branch at Woolwich. It was with some hesitation that the board complied, but they had now every reason to believe this would be a profitable branch, but they had no intention of forming any other branch whatever'.¹

A little later, and the *Bankers' Magazine* was to publish the following statement:²

Arrangements have been made by which the London and Middlesex Bank will receive the necessary assistance from the London and Westminster Bank for effecting a liquidation, the business, according to the option of customers, passing to the latter establishment. No difficulty is expected to be experienced in winding up, owing to the restricted nature of the engagements. A number of absurd reports have been propagated with respect to the position of the directors and their accounts, but it appears from authentic sources that they are wholly without foundation. The difficulties have arisen through the irregularities of two of its cashiers, who, it is asserted, in connivance with two or three customers, have been improperly employing the funds of the bank. It is stated that the defalcations are traced to have represented at one time as much as £13,000 or £14,000, but that they have since been reduced to £5,000 or £6,000, while, according to another version, the loss ultimately sustained will not exceed £1,000. The depositors, there is every reason to anticipate, will be paid in full, and the shareholders, though not numerous, are understood to be respectable.

On the face of things, a loss of so small an amount as that finally anticipated in this communiqué, would not, and could not, have led to the closing of the bank. The real position began to be made clear in 1864, when the unfortunate shareholders investigated the position. 'A meeting' was called for 28th January 1864, at which Dr. Cook, who had been a shareholder in the Unity Bank, 'after half an hour's delay, was called to the chair, and said the best thing they could do was to hear the statement of Mr. Howell, formerly a clerk of the bank. . . . Mr. Howell then read a very lengthy statement, in which he detailed the irregular manner in which the accounts of several customers had been kept. He also made very serious charges against the leading Directors and officers of the bank, alleging, amongst other things, that undue and improper accommodation had been given to persons connected with the bank, that paper of questionable character had been represented to the shareholders as cash, and generally that the business of the bank was transacted in a grossly irregular way'.³

¹ *Bankers' Magazine*, 1863, p. 714. ² *Ibid.*, p. 892. ³ *Ibid.*, 1864, p. 258.

At a public meeting of the shareholders in April, Dr. Cook was again in the chair: the alleged losses were insufficient to explain the closing of the bank, 'but since that time he had had an opportunity of taking a peep inside of the Unity Bank, and of seeing the vile and fallacious system of banking which was adopted in that establishment; and knowing as he did that they had the same manager and secretary paramount and reigning in this establishment as in that under whose *régime* they had lost £54,000 of their capital, besides all the money the bank had earned, he had come to the conclusion that the directors of the London and Middlesex Bank exercised a wise and sound discretion in thus pulling up, for he did not hesitate to say, if they had been in business another year or two they would have been brought to signal and abundant grief'.¹ A 'statement of liabilities and assets' as of 3rd May 1864, was presented to the shareholders next day: it showed an estimated surplus carried to deficiency account of £40,000. Paid-up capital and profits amounted to £89,400; losses to date stood at £36,800. Overdue bills amounted to £21,000, estimated to produce £7,400 eventually, and sundry debtors for £37,000 were expected ultimately to realize £17,000.² There was a contingent liability of £100,000 on promissory notes held by the London and Westminster Bank 'as collateral security for the repayment of advances'.

The luckless shareholders of the Unity Bank were pursuing parallel enquiries.³ The final upshot was the prosecution of the manager and the secretary on a charge of conspiracy.⁴ They were committed for trial at the Central Criminal Court on 17th April 1865. They were charged with, *inter alia*, concocting a false balance sheet. The prosecution was unable to prove the *sole* responsibility of the two defendants, and the Judge summed up strongly in their favour—'the whole of the accounts appeared to have been submitted to the auditors, who could easily have detected the mis-statements that appeared in the balance-sheet, and, he said,

¹ *Bankers' Magazine*, 1864, p. 455.

² *Ibid.*, p. 541.

³ *Ibid.*, p. 206. 'There was a numerous meeting of the Unity Bank shareholders at the Guildhall Coffee-house, on the 19th January, when some curious revelations took place with regard to the position of that effete establishment, and its successor, the London and Middlesex Bank. All kinds of charges were alleged in the management of both institutions, and several were of such a serious character that they will require every explanation. It must be confessed that the delay in calling a meeting of the London and Middlesex proprietors has created doubts as to the administration of its affairs. . . .' The Unity shareholders received back £3 per share in 1864, with the prospect of receiving another £2 eventually. (*Ibid.*, 1864, p. 975.)

⁴ *Ibid.*, p. 1131 *et seq.*

it appeared to him that the evidence of these gentlemen was very important upon the question of who was to blame, and who was to be held responsible for publication of this balance-sheet, and whether the defendants when they prepared it had any intention to deceive'.¹ The defendants were acquitted of the charge of conspiracy, the jury adding a rider to the effect that 'the accounts of the bank were kept on a very vicious principle, and in our opinion the directors ought to have more closely investigated the accounts, and particularly the weekly statements that were submitted to them'.

¹ Proceedings reported in *Bankers' Magazine*, 1865, pp. 590-600.

APPENDIX V

JONES LOYD & CO.¹

I

This celebrated house was founded by a Unitarian, John Jones, who appears in the first Manchester directory of 1772 as conducting the firm of 'John Jones & Co., Bankers and Tea-dealers' at 104 Market Street Lane, the banking 'shop' being at the back of the premises. John Jones died in 1787, and shortly afterwards his sons gave up the tea business and became bankers only, having removed to King Street, where the Manchester house was situated until taken over by the Manchester and Liverpool District Bank in 1863.

The London house owed its origin to the request of Vere, Sapte & Co., the London agents of the Manchester firm, to transfer their account on the ground of the undue growth of their Lancashire business. Thereupon, Joseph Jones (son of John Jones) established the firm of Joseph Jones & Co. at 17 Watling Street—first mentioned in Lowndes' *London Directory* in 1784. The firm afterwards removed to Walbrook and then to 43 Lothbury, where it remained until it amalgamated with the London and Westminster Bank in 1864.

The firm's name was changed in 1791, when another brother joined Joseph Jones and the firm name became Joseph and Daniel Jones and Co. Shortly afterwards, in 1792–1793, Joseph and Daniel retired from the firm, leaving their shares to Raymond Barker and his son. The Manchester partners were two other sons of John Jones, viz. William and Samuel. In 1794 the London house was known as Daniel Jones, Barker, Loyd & Co. and the 'modern' history of the London house may be said to begin with the entry into the partnership of the remarkable father of a still more remarkable son. This new partner was Lewis Loyd.

In 1789, Lewis Loyd arrived in Manchester from Carmarthen-shire, intending to enter the Unitarian ministry, and for the purpose of finishing his studies in theology at the Manchester Academy, among the trustees of this institution being William

¹ Based primarily upon the lists of bankers in Hilton Price, *A Handbook of London Bankers*, and upon L. H. Grindon, *Manchester Banks and Bankers*, 2nd Edn., 1878.



A View in Lothbury.

LEWIS LOYD

1767-1838

Father of Lord Overstone.

and Samuel Jones. He was, in fact, tutor in *Belles Lettres* at the Academy in 1792, and a short time later became the Minister of Rob Lane Chapel at (probably) £40 a year. In 1793, Lewis Loyd, aged 25, married Sarah Jones, aged 34. He must have immediately joined the firm and gone to London as a partner in the London house. In 1796 there was born to Lewis and Sarah Loyd a son, Samuel Jones Loyd, afterwards Lord Overstone (see vol. II, chapter XII, on Lord Overstone. In 1798 the London house became Jones Loyd, Hulme & Co., and after 1808 the familiar title of Jones Loyd and Co. appears for the first time in the *London Directory*.

Sarah Loyd died in 1821, and Lewis Loyd remarried, thereby increasing what must already have been a very large fortune. He bought Overstone Park, near Northampton, in 1844, and died in 1858; the value of his property at the time was said to be £3 millions. He had, however, retired from the firm in the year he bought Overstone Park, to be succeeded as head of the London house by the son, Samuel Jones Loyd, who in 1850, eight years before his father's death, was raised to the peerage as Lord Overstone.

The history of the Manchester house is intertwined with that of the London house till 1848. In 1792-1793 this firm was known as Jones, Barkers, Jones & Co. In 1797 the firm, which by this time was known as Jones, Barker & Co., became Jones, Fox & Co. when it was joined by Mr. Fox, also the son of a tea-dealer and head of the legal firm of Fox, Sharpe, and Eccles. Contemporaneously the youngest of Lewis Loyd's brothers entered the Manchester firm as a teller, and became a partner in 1808. In 1816 Mr. Fox retired and the firm became Samuel and William Jones, Loyds & Co. Samuel Jones died in 1819, and William Jones in 1821. With their deaths the direct link with John Jones, the founder of the house, ceased: Edward Loyd was left in sole control, though the firm continued to be known as William Jones, Loyds & Co. till 1848, when Edward Loyd retired and the Manchester business was separated from the London one. Four new partners took over the Manchester house—Edward Loyd (the son of Edward Loyd above), William Entwisle, Henry Bury and Thomas Barlow Jervis—the firm's name becoming Loyd, Entwisle & Co.

CHAPTER VII

THE LONDON AND COUNTY BANK

I

THE FOUNDATION OF THE 'SURREY KENT AND SUSSEX BANKING COMPANY'

THE first surviving record¹ of the London and County Bank relates that 'At a Meeting held at Procters Hotel Bridge Road Lambeth on Monday July the 4th 1836 of Gentlemen interested in the formation of the Surrey Kent and Sussex Banking Company The Right Honorable Lord Nugent in the Chair. The following Resolutions were passed unanimously.' The first of these resolutions sets forth that

This Meeting being of Opinion That the principle of Joint Stock Banking Companies which has been long in successful operation in Scotland is of all the principles on which Banking Companies have been founded the most favorable to a full developement of the power of the Commercial, The Agricultural, The Manufacturing and the trading interests to advance their individual prosperity and thereby increase the gross amount of the Wealth of the Community; and having ascertained that no such Banking Company has yet been established in Surrey, Kent, or Sussex, and no branch excepting the one recently opened in Southwark;² they recommend that Steps be immediately taken to constitute a Joint Stock Company under the Provisions of the

¹ In a bound volume entitled *Rough Minute Book 1836 to 183-*. This volume, in fact, contains a formal record of the proceedings of the Provisional Board of Directors until 6th August 1836, when the first meeting of the Board took place, the Deed of Settlement having been signed on 4th August 1836. After 6th August 1836, a new minute book was used, and the *Rough Minute Book* contains only drafts of minutes formally recorded elsewhere.

² Clearly the branch of the London and Westminster Bank at No. 12 Wellington Street, opened 29th February 1836, where later the Surrey Kent and Sussex Bank had an account for receiving deposits on their shares. (*v.* Tallis's Street View, opposite.)

7th Geo. 4th to be called the Surrey Kent and Sussex Banking Company; In doing which they feel themselves greatly encouraged and strengthened by having before them a sufficient number of Applications for Shares from large Capitalists and other most respectable Individuals to justify them in taking provisional steps for the formation of such a Company.

The second resolution provided for the appointment of Provisional Directors, with power to add to their number, 'to allot the Shares, to give Instructions for the drawing up of the Deed of Settlement and to take such other steps as to them seem necessary or advisable with a view to the formation of the Company'. The first Provisional Directors so named were the Rt Hon. Lord Nugent, Thomas Read Kemp, M.P., Thomas Jones, Edmund Halswell, C. A. Thiselton, and William Knox Child.

The third and fourth resolutions dealt with the advertisement of the prospectus and with the approval of the prospectus itself, the terms of which are set out between pages 324 and 325.¹

It will be noted that whereas the resolution approving of the formation of the Surrey Kent and Sussex Banking Company urges that steps should be taken to form a bank 'under the Provisions of the 7th Geo. 4th', no reference to such a procedure is contained in the prospectus. The existing state of the law, in fact, made it impossible to incorporate a company proposing to take advantage of the Act of 1826 and yet at the same time carry on the business of banking in London, section I of the Act of 1826 expressly laying it down that 'such Corporations or Persons carrying on such Trade or Business of Bankers in Copartnership shall not have any House of Business or Establishment as Bankers in London, or at any Place or Places not exceeding the Distance of Sixty-five Miles from London'. Since it

¹ The London and County Bank in 1888 reprinted the Prospectus and Balance Sheets from 1837 to 1887. The prospectus as printed here is taken from this volume, and is identical with that in the *Rough Minute Book*.

was clearly the intention of the promoters of the new bank to operate mainly within the sixty-five mile limit, the only protection afforded them was the 'Declaratory Clause' of 1833 and the provisions of their own Deed of Settlement.

Just a month elapsed between the first meeting of the proprietors of the proposed new bank¹ and the signature of the Deed of Settlement on 4th August. Two days afterwards the first meeting of the Board, as constituted by the Deed, was duly held at 268 High Street, Southwark. But in that month a series of changes took place on the Directorate of great significance, and other matters of great importance arose.

The first of these matters was the adjustment of the rights of the 'promoter', D. Goatley. As he was subsequently to quarrel with the Company and was to be the means of bringing Thomas Joplin into contact with the new concern, who also came into violent conflict with the Board, it is interesting to notice that on the very next day after the first meeting on 4th July, the following resolution was passed at a meeting of the Provisional Directors:

It was resolved,

That the following memorandum be entered on the minutes of this day's proceedings:

'Neither the Directors as a Body nor any one of them can be considered in the light of being the projectors of the Company: they have each of them been canvassed through Mr. Wilkinson, Solicitor, or Mr. Goatley; and the latter gentleman is alone entitled, as they are informed, to the credit of originating the Surrey Kent and Sussex Banking Company.

'The Directors have considered it essential at their first meeting,

¹ At the first meeting it was further agreed to appoint W. F. Le Maitre as Secretary: to consider the new bank as established when 10,000 shares should have been taken; and that when £50,000 had been paid up the Provisional Directors 'be requested to take immediate measures for commencing Business by engaging suitable Premises in Southwark and Lambeth, and appointing the requisite Officers and Clerks to conduct under their control the Affairs of the Company'.

PROSPECTUS OF THE
SURREY KENT AND SUSSEX
BANKING COMPANY

PARENT ESTABLISHMENT IN SOUTHWARK

PRINCIPAL BRANCH IN LAMBETH

CAPITAL £2,000,000

* In 40,000 Shares of £50 each, Deposit £5 per Share

PROVISIONAL DIRECTORS

THE RIGHT HONOURABLE LORD	WILLIAM KNOX CHILD, Esq.
NUGENT	EDMUND HALSWELL, Esq.
THOMAS READ KEMP, Esq.,	THOMAS JONES, Esq.
M.P.	CHARLES A. THISELTON, Esq.

SOLICITORS

MESSRS. STEVENS, WOOD, WILKINSON AND SATCHELL

IN projecting the establishment of a new Joint Stock Banking Company, it cannot be necessary to say a word in recommendation of the principle on which such Banks are founded.

Their history is short. They sprung from necessity. The panic of 1825 provoked an inquiry into the banking system, and the result was the enactment of the 7th Geo. IV.—the statute to which they owe their origin in this country.

They have been tendered by the Legislature as a safe medium of commercial transactions; they have been accepted by the leading capitalists; and they have received the stamp of approbation

and implicit confidence from the great mass of the population of the three kingdoms.

How have they obtained such approbation and confidence? By the number and wealth of their proprietors—by the publicity of their transactions, consequent on their number—by their actually subscribed capital—by the security which they offer for the fulfilment of their engagements—by the almost unlimited credit of a large and rich proprietary—by the power they thence derive to afford to the public the greatest accommodation consistent with prudence—by the individual influence of each member of the Company, whose exertions secure to it considerable business at the outset—by their perfect freedom from dread of the sudden and ruinous checks to which private Banks, however solvent and honourable the partners, are liable in those panics which seem to occur periodically in great trading communities. These are advantages which are found to be obtainable only from Banking Companies founded on the Joint Stock principle.

Their success has been extraordinary. Established in England, Scotland, and Ireland, their shares command high premiums, in many cases exceeding one hundred per cent. on the paid-up capital. Their stability and prosperity in Scotland, from the date of their original foundation up to the present hour, are notorious: it is established beyond a question, that no principle of banking which has yet been subjected to the test of experience has afforded an equal extent of credit with equal security. By a parliamentary return, it appears that up to the 21st of March last, there were 61 Joint Stock Banks established, with their branches at 472 places, and consisting of 15,673 shareholders. With such facts, surely it may be affirmed that the Chancellor of the Exchequer did no more than pronounce the judgment of the great commercial community, whose interests he is bound to protect, when he lately declared in his place in the House of Commons that—

‘He looked upon the principle of Joint Stock Companies as one of the great discoveries of modern times. He regarded them, when made responsible to public opinion, as the ground on which all successful enterprise must be founded. He said, further, that if there were any one description of business to which the principle of a Joint Stock Company could be more applicable than another, it was, under due restrictions, the business of banking.’

After this brief reference to the abundant evidence which exists in favour of Joint Stock Banking Companies, and when it is seen also that such Companies have been formed, or are in the

progress of formation, in all the metropolitan districts on the north side of the river Thames, it is confidently assumed that a Joint Stock Banking Company cannot fail to be most successfully established, and to have peculiar advantages in such a district as that of Surrey, Kent and Sussex. In Southwark it is proposed to fix the Parent establishment, and the field open to its operations includes within its extensive boundaries, the important borough of Lambeth, Guildford, Farnham, Kingston, Godalming, Dorking, Reigate, Richmond, Rotherhithe, Dover—presenting an opportunity for opening a direct communication with the Continental Banks—Deal, Sandwich, Ramsgate, Margate, Ashford—the depôt for the profits of the rich pasturage of Romney Marshes—Canterbury, Maidstone, Tonbridge Wells, Tenterden, Rochester, Chatham, Strood, Gravesend, Dartford, Greenwich, Deptford, Chichester, Worthing, Arundel, Hastings and Brighton.

Another important feature is, that in the County of Kent are some towns of considerable extent, having a population of great commercial enterprise, and where Banks of issue may be established communicating with the Parent Bank.

It is proposed to establish agencies, as the Directors may determine, in the principal towns of Surrey, Kent, and Sussex.

The Parent Bank and branches to open accounts with commercial houses and private individuals.

To open accounts on a liberal principle for the accommodation of tradesmen and others to whom the advantages of banking have hitherto not been extended.

To open accounts of deposits; a rate of interest being payable on the sums deposited.

To open cash credit accounts on the plan advantageously adopted in Scotland, by which parties who shall have furnished approved securities shall be allowed to draw on the capital of the Company.

To grant letters of credit on receipt of deposits for all the principal cities and towns of foreign countries.

To discount bills for parties who have no account with the Company.

To receive dividends; Army, Navy, and Civil pay and pensions; proceeds of ecclesiastical property, and rents, and to transact financial business generally.

The following principles are laid down for the constitution of the Company:—

1. Thirty days' notice by public advertisement will be given of the call for the second instalment; the third, fourth, and fifth instalments will be called for at such intervals as the Directors may fix, thirty days' notice being given of each call; and the sixth instalment will not be called for without the sanction of a General Meeting of the Shareholders, convened by public advertisement affording a notice of thirty days.

2. There will be a reserve of Shares, which the Directors will be empowered to distribute for the benefit of the original Shareholders, or with a view to the extension of the connections and business of the Company.

3. Shareholders will be entitled to one vote for five Shares; to two votes for twenty Shares; to three votes for fifty Shares, and to five votes for one hundred Shares and upwards.

4. The dividends will be declared half-yearly.

5. A proportion of the profits will be reserved to form a permanent guarantee fund, and after a sufficient accumulation the entire future profits will be divided among the Shareholders.

6. A balance sheet showing the state of the financial affairs of the Company will be open to the inspection of the Shareholders.

7. The managers of the Branch Banks will be required to make weekly reports to the Parent establishment.

8. The liability of the Shareholders will be clearly defined. A clause will be inserted in the deed of settlement which will provide that should one-third of the paid-up capital, exclusive of the guarantee fund, be ascertained to be lost, a General Meeting of the Shareholders shall be instantly called to consider the propriety of dissolving the Company.

By Order of the Provisional Directors,

W. F. LE MAITRE,

Secretary.

. Applications for Shares may be addressed (post paid) to the Secretary at the offices of the Solicitors, until the 16th of July inst.

with a view to a clear & distinct understanding so desirable in all matters of business, and as best calculated to guard against any possible inconvenience arising from misconception, to confer with Mr. Goatley, in order to ascertain what his expectations are in the event of the Company being established upon the Basis of the resolutions proposed at the general meeting of the 4th inst. viz., the issue of 10,000 shares and the actual payment thereon of the first instalment, say £50,000.¹

Mr. Goatley having been called in, and the above memorandum having been read to him, he explained that the only remuneration he expected was an allotment of 1200 shares with the right of calling for them at any time within the period of twelve months from the establishment of the Company upon the payment of whatever Instalments may have been called thereon by the Directors.

Resolved,

That it be communicated to Mr. Goatley that the Directors accede to his proposal.¹

Mr. Goatley was called in accordingly and the foregoing resolution having been read to him by the noble Chairman² he expressed his thanks to the Directors for their appreciation of his services, and withdrew.

Mr. Whitaker [*sic* ? Wilkinson] was then called in, and informed by the Noble Chairman that in consideration of Mr. Goatley having been the projector of this Company, & of the exertions he had made to establish it, the Provisional Directors had voted him a thousand shares to be taken up at his own convenience in the course of twelve months; but it having been communicated to the Provisional Directors by Mr. Goatley that Mr. Whitaker had considerably assisted him in the formation of the Company, they had determined to increase the number of shares voted to Mr. Goatley from one thousand to one thousand two hundred, the additional two hundred shares being voted on the understanding with Mr. Goatley that Mr. Whitaker was to be at liberty to take them up. receiving them from Mr. Goatley on the same terms as those on which Mr. Goatley received them from the

¹ This arrangement was confirmed by a formal Board Minute of 19th August 1836: 'That the Shares described in the minutes of the 6th inst. as being reserved to remunerate the projectors of this Company be considered to be at the disposal of Mr. David Grafton Goatley the sole originator of the Company.'

² Lord Nugent was in the Chair.

Provisional Directors. The Noble Chairman also thanked Mr. Whitaker in the name of the Provisional Directors for the assistance he had rendered to Mr. Goatley.

Mr. Whitaker, in reply, said that Mr. Goatley, having projected the Company, consulted him as to its formation, from which time he had rendered that gentleman all the assistance in his power, though as regarded his endeavours to bring in Directors, he was sorry to say he had not been successful. He was happy, however, to find that his exertions were deemed worthy the consideration now given to them. Mr. Whitaker then withdrew.

The question of the constitution of a definitive Board was now taken up with great earnestness, but proved very difficult. On 21st July it was resolved that Philip Perring be appointed a Provisional Director; on the 22nd it was resolved to offer a seat to J. Hare, Jr., Esq., of Bristol. On the 25th, William Cory was appointed a Provisional Director, as well as Howard Elphinstone, M.P. On the 27th, it was resolved to add Emanuel Cooper to the list of Provisional Directors. But from this moment onwards complications arose. On the 27th July,

Mr. Goatley having communicated to the Directors by the desire of Lord Nugent the substance of a communication with his Lordship to the effect that Lord Nugent is desirous of withdrawing from the Direction,

Resolved

That while the Provisional Directors accept the resignation of his Lordship, they desire to express their high sense of the feeling by which His Lordship has been actuated, and at the same time beg unanimously to convey to Lord Nugent, their thanks for the deep interest he has taken in the success of the Company.¹

Two days afterwards a serious incident occurred. Mr. C. A. Thiselton offered his resignation. There had

¹ At the same time it was agreed 'That Lord Nugent be exonerated from liability to any part of the expences hitherto incurred'. His withdrawal does not seem to have been entirely unwanted, if Goatley's later account is to be trusted, for the minutes of 25th August 1837 record a letter from him in which, computing the Bank's indebtedness, he reckons that 'My services might perhaps be said to commence when I was deputed to turn out Lord Nugent. . . .'

evidently been discussions on the appointment of the office of Managing Director, and Thiselton had put forward, it appears, the name of Mr. Bell, which had been accepted. Thiselton's resignation was, to judge by the memorandum attached to his letter, influenced by the emergence of another name—that of Mr. Halswell.

The Board tried to get round the difficulty by appointing both Mr. Halswell and Mr. Thiselton to the post of Managing Director and appointing Mr. Bell to the office of 'Superintendent' of the bank. Unfortunately, it appeared then that Mr. Thiselton adhered to his intention to resign. He desired the Provisional Direction to be informed that 'Mr. Thiselton still continues firm in resigning in favor of Mr. Halswell not considering it advantageous to the Interests of the Company to have *Three Heads* in addition to what he trusts will never be lost sight of—the effectual supervision by the *Board of Directors itself*. But foreseeing only in the proposed arrangement the almost certain result of mischief from the Division of subordinate controul from the Direction being delegated in too many Individuals as Chief officers or Heads of the Company'.

The resignation was accepted with regret, but, unfortunately, this resignation brought another with it. Mr. Thiselton informed the Board that 'when Mr. Jones joined the Provisional Direction it was upon the express understanding that he was to act with me, and that he would only consent to remain so long as I was in the Management. Having withdrawn from the Provisional Committee, and being aware that you are now preparing an amended Prospectus with an increased list of Directors, I feel that I am pledged to Mr. Jones to retire his name—and at the same time that it would be wrong on my part as regards the Interests of the Company to delay making this communication'. All that the Board could do was to request Mr. Jones 'to communicate his pleasure' on Thiselton's communication to the Board. On Tuesday, 2nd August, it was

resolved 'That Mr. Jones's name be omitted as a Director from any public document published by the Company till his answer be received to the letter addressed to him on Saturday July 30th 1836 by the Secretary, by order of the Provisional Directors'. Fortunately, on the same day, John Cuthbert Joyner was appointed a Provisional Director.¹

Finally, on 4th August 1836, it was resolved that 'the Deed of Settlement as now read be the Deed of Settlement of this Company'. By the tenth section 'William Knox Child Esquire Emanuel Cooper Esquire William Cory Esquire Howard Elphinstone Esquire Member of Parliament Edmund Halswell Esquire John Cuthbert Joyner Esquire Thomas Read Kemp Esquire Member of Parliament and Philip Perring Esquire are hereby declared and appointed to be the present and first directors of the company.'²

¹ On the same day, E. Russell Bell was appointed 'Superintendent' 'on the condition named in his letter received this day'. His letter ran as follows: 'In consequence of the conversations which have taken place and the resolution recorded in your minutes of the 29th July last about my appointment as Manager of your Company—I beg to state my views of the subject that no differences may hereafter arise. My understanding is that I am to be appointed Provisional Manager with liberty to carry on my own business until the Directors determine otherwise. My salary is to be fixed hereafter. In the event of not being able to comply with the Directors' wish for security, or the Directors hereafter to be appointed not choosing to confirm my appointment, then I shall receive from the Board, a salary for the time I have served the Company equal to that of my successor with an additional amount of money equal to half a year's salary.'

On the same day, also, it was resolved 'to make the necessary arrangements for opening a Deposit account, to bear a rate of interest, with the London and Westminster Bank' As early as 21st July, it was resolved to continue negotiations 'opened with Mr. Mangles respecting the Guildford Bank; with a view to ascertain what arrangement can be come to on that subject between Mr. Mangles and his partners, and the Provisional Directors. . . .'

²*The Deed of Settlement and Resolutions of Shareholders forming the Regulations of the London and County Banking Company, Ltd., London 1883.* The first Trustees of the bank were Philip Perring, Edmund Halswell, and Emanuel Cooper. (*Rough Minute Book*, 2nd August 1836.)

The Deed¹ provided that the capital² was to be £2,000,000, divided into 40,000 shares of £50 each. Originally, no person was allowed to subscribe for or to hold more than 300 shares, which were to be forfeited on non-payment of calls unless the Directors otherwise decided; nor were shareholders entitled to vote or to receive dividend till all the calls

¹ By a special resolution, passed 3rd February 1898 (confirmed 22nd February 1898), it was resolved 'That, pursuant to the provisions of the Companies Memorandum of Association Act, 1890, the form of this Company's constitution be altered by substituting a Memorandum and Articles of Association for the Deed of Settlement, dated 4th day of August, 1836, as amended by subsequent Resolutions, and that the Memorandum and Articles of Association submitted to this Meeting be, and the same are, hereby approved, and be substituted for the said Deed of Settlement so amended as aforesaid, and that the Directors be and they are hereby authorized to apply to Her Majesty's High Court of Justice for confirmation of such alteration in the constitution of the Company.' The Certificate of Registration of the order of the High Court (No. 13977) is dated 7th April 1898. *v. also Bankers' Magazine*, 1898, January-June, p. 459.

² At the half-yearly meeting on 13th August 1840, it was resolved to reduce the capital to £1,000,000 divided into 20,000 shares of £50 each, instead of 40,000 shares of £50 each. At the annual general meeting held on 2nd February 1854, this resolution was rescinded (confirmed by an extraordinary general meeting on 16th March 1854). The half-yearly meeting on 2nd August 1866 increased the capital to £3,000,000 by the creation of 20,000 shares of £50 each (confirmed 16th February 1867). At the half-yearly meeting on 7th August 1873, 15,000 additional shares of £50 each were created (confirmed 21st August 1873). Finally, at the annual general meeting on 5th February 1880, the capital was increased (a) by increasing the amount of each share to £80, making 75,000 shares of £80 each, (b) by creating 25,000 additional shares of £80 each. At the extraordinary general meeting of 20th February 1880, at which these capital increases were confirmed, it was agreed that the London and County Banking Company 'be registered as a limited company under the Companies Acts 1862 to 1879 that the name of the company be changed by adding thereto the word "Limited" and that of the capital uncalled upon the one hundred thousand shares of eighty pounds each constituting the capital of the company the sum of £40 per share be not capable of being called up except in the event of or for the purposes of the company being wound up'. For the circumstances leading to the adoption of this step, see above, p. 211. The Company had registered as unlimited in 1874.

on their shares were paid up. Shareholders were not permitted to inspect the books, but 50 or more shareholders, holding 2,000 shares, might demand an extraordinary general meeting, and the company might be dissolved by the consent of two-thirds of the Board of Directors and two-thirds in number and value of the shareholders voting at two successive meetings. In any case, the company was to be dissolved whenever one-third of the paid-up capital was lost.

The business of the company was to be that of banking exclusively; the Board might make advances for not more than six months, provided that no one Director objected. Branches were expressly permitted by the Deed of Settlement, which also provided for the appointment of local Directors. The Deed further required the Directors to keep proper books of account, and to issue a balance sheet twice a year, on June 30th and December 31st. Any profits were divisible amongst the shareholders, subject to the establishment of a guarantee fund not exceeding one-fourth of the profits, and its maintenance in any year when at least five per cent dividend had been paid.

The Deed provided for the appointment, as already noted, of eight named persons as the original Board. They had power to add to their number up to 18 in all. The minimum qualification was the holding of 20 shares for a period of six calendar months previous to the date of election: and no banker, clerk, or accountant in a banking house, or a Director of any other bank, was to be eligible as a Director.¹ The Directors were not to vote on advances or credits when personally interested, or interested through family connexions; they were to sign a declaration of secrecy. The Directors were to have control of the property of the bank, with power of entering into, varying and discharging and

¹ Bankers or agents to any banking house or directors of other banks not ineligible to be directors provided such other banks are not competitors. (Resolution of 1859.)

enforcing contracts, and to commence and discontinue actions for the recovery of debts. They might suspend one of their own number; and two-thirds in number and value of the shareholders might remove all or any of the Directors and appoint others.

II

THE QUARREL WITH MR. GOATLEY

Research is making it clear that an active group of 'promoters' was behind the banks founded in the 'thirties and 'forties. The most important member of the group was probably Thomas Joplin, but it also included men like Goatley and J. Macardy.¹ That Goatley was in touch with Joplin will be clear from the story set out in the next section: their relations with the London and County Bank were to prove unsatisfactory to both.

The only legal claim revealed by the early minutes was the right to have 1,200 shares allotted to him. But on the 11th August 1837 (after the termination, as will be seen below, of the relations with Joplin) the following letter was sent to the bank by Goatley, and, as will be seen from the Directors' resolution, the Board was evidently highly indignant.

The following Letter from Mr. Goatley having been read

My Dear Sir, London, 10 August 1837.

You will please submit to the Board of Directors, that I am desirous the enclosed promissory Note, £500 payable 6 months after date should be discounted and the net proceeds placed to my account.

¹ *Bankers' Magazine*, December 1845, p. 124. Macardy promoted the Commercial Bank of England, having 'previously been the main instrument in forming successively the Bank of Manchester, the Northern and Central Bank, and, we believe, another Manchester Bank. He was a person of undoubted talent, and of great and undaunted perseverance, but had never acquired any practical experience in Banking operations'.

I presume the request will meet no opposition as the Bank is in my debt a larger sum. When this business is disposed of I have some important communication to make.

I am, my dear Sir,

Yours in truth,

W. F. Le Maitre Esqre, etc. etc.,

D. GOATLEY.

Surrey Kent & Sussex Bank, Lombard Street.

Resolved That the Board decline to accede to Mr. Goatley's request contained in the foregoing letter, to discount his note at six Months for £500.

Resolved That Mr. Goatley be requested to render to the Company an account in writing of any claim that he considers he has upon them, to state how it arises, and the amount thereof.

That information be given immediately to the Managers at the different Branch Banks, that Mr. Goatley is not an accredited Agent of this Company.¹

A fortnight later, the Board was again dealing with the problem. Goatley now claimed £250 and the facility to discount a promissory note for £250 at six months: if this request was refused, 'allow me as I have kept no account to leave to you to [vote] to me at once beside the £250 so much money as you may feel shall barely remunerate me for my labour & loss of time'.² In reply the Board asked for an account.

As answer to this request, Goatley sent a long and rather rambling letter,³ estimating his expenditure since the formation of the company at £1,000, and his losses 'from the connection with your establishments' as over £800—a claim greatly weakened by his confession that 'I have not pretended to possess the means of rendering an account'. The really interesting point about his communication is, however, the light that it throws upon the early business of the bank, since it is fairly clear from his account that the

¹ Board Minutes, 11th August 1837.

² *Ibid.*, 25th August 1837.

³ *Ibid.*, 1st September 1837.

cash resources must have been greatly strained in May 1837, and that it was a matter of great difficulty to meet current obligations. The Board, it is clear, were not very much impressed by the tale which Goatley had to unfold :

The following letter from Mr. Goatley to the Directors having been read:

London,

31st. August, 1837.

Gentlemen,

Your reply to my letter of the 17th inst. through Mr. Le Maitre has been recd dated the 25th inst.

Perhaps I cannot give a more direct answer to your request than by stating my expenditure since I commenced the formation of the Surrey Kent & Sussex Bank has exceeded One thousand pounds and my losses from the connection with your establishments exceed Eight Hundred Pounds total £1800. I believe should you depute a competent person to go into the detail of my exertions etc. for the Company you will be satisfied I have expended more than Two Hundred & fifty Pounds. But whether I have expended 200 or £300 I conceive it to be immaterial. I have not pretended to possess the means of rendering an account. My proceedings have always been guided by my attachment to the interest of the Bank or why should I have solicited a temporary loan, upon my note, in preference to asking an immediate adjustment of the debt due to me?

May the 6th I went early in the morning to Mr. Ewings High Holborn to request him to discount a £500 Bill drawn by Mr. Briggs Jr. of Maidstone in consequence of Mr. Cutbill having called upon me the previous evening, to say that since I was at the Bank he had paid away nearly all the Cash; the Bill being unknown I did not succeed tho' I got it done on the 8th: I obtained a £100 on my own account and paid it into the Bank my balance then being about £400. It was thought prudent I should go to Woolwich to hunt up the Cash there: while Mr. Williams was preparing a parcel for me I ran to Mr. James & to Mr. Lacey's to prevent suspicions of the real object of my journey to Woolwich; they were not at home. I saw Mr. E. Butler and Mr. Jno Butler and left Woolwich at One O'Clock with £380 or £390 chiefly in cheques.

I found Mr. Cooper at the bank; the payments made during the morning had been unexpectedly large. Mr. Cooper proposed

I should go to Mr. Warter with 2 or £3000 of Bills; after a long conversation with Mr. Warter I learnt he could do nothing. I declined showing the bills, returned to the Bank, resorted them, and took about £1700 to the London & Westminster Bank. I saw the Accountant who said I might see Mr. Henderson in half an hour; when Mr. Henderson came in he declined doing them unless approved by Mr. Gilbert who was out. I went three times to the London & Westminster bank before I saw him; he refused them subject to an appeal to their Board at One O'Clock on the 8th; at last I obtained of Mr. Chalk the Cash for a bill of only £60; he charged commission 3/- which I paid. I also allowed a bill of £150 to be dishonoured rather than draw upon my balance. My expenses this day were 18/6 viz. Cabs 10/6 steam to Deptford 1/- back 1/- hire of a fly from Deptford to Woolwich 1/6 Commission on Bill 3/-. On the 8th I paid into the Bank £800 by 10 O'Clock in the morning.

I shall I trust never appear in hostility to the Company. I should make a specific charge with extreme reluctance in our own cause, with the most honourable intentions, we are partial judges. Should you reject my propositions of the 17th inst. I beg to suggest 'An Arbitration' might be convenient & satisfactory.

I am, Gentlemen,

Your Hum^c Servt.,

D. GOATLEY

Resolved That the Secretary write to Mr. Goatley to say, that as he appears reluctant to furnish the particulars of the claim he makes upon the Company the Directors request that he will immediately pay into the Company's Bank the amount that he has overdrawn his account there, and the amount of the dishonoured bills of his they hold.

At the Board Meeting on 15th September, Goatley's reply to the challenge was read. He now demanded £630 and intimated that 'To establish the equity of this charge I may have to bring forward about Ninety Persons'. The Board ordered the Secretary to write to Mr. Goatley and 'state that the Directors having taken into consideration the foregoing letter [dated 7th September] refer Mr. Goatley to the two communications from them addressed to him by the Secretary on the 11th ulto. and the 1st inst.,

& inform him, that they cannot consider his letter of the 7th inst. as a reply thereto'.¹

The quarrel dragged on into the middle of 1838. On 20th October 1837 it was resolved 'That Mr. Wilkinson be instructed to apply to Mr. D. G. Goatley for the Balance due to the Company on his account, & to Mr. John Foss of Darkhouse Lane for payment of his dishonoured acceptances held by the Company'. A week later, neither of these gentlemen having replied, it was resolved 'That Mr. Wilkinson be instructed to write again to the parties to the same effect as before & if they do not attend to his second letter, that he be authorised to commence legal proceedings against them for the recovery of the amounts to which they are indebted to the Company'. The bank's last records of Mr. Goatley leave him still negotiating with the Board.²

III

THE CHANGE OF TITLE:

JOPLIN AND THE 'COUNTY BANK OF ENGLAND'

On 6th March 1839 the following circular was sent to the shareholders:

Surrey Kent and Sussex Joint Stock Bank,
71 Lombard Street,³ London.

Sir,

I am desired to inform you that, pursuant to a Resolution passed by the Shareholders at their Annual General Meeting, held on the 7th ultimo, and confirmed at an Extraordinary General

¹ Board Minutes, 15th September 1837.

² *Ibid.*, 29th June 1838. 'Resolved That the Secretary prepare a draft of a letter in reply to Mr. Goatley's letter of the 14th inst. for the consideration of the next Board.'

13th July 1838. 'Resolved That the draft of the letter written by the Secretary to Mr. D. Goatley in reply to his communication of the 14th ult. be approved, subject to the alterations suggested by the Board.'

³ By mid-July 1837 the bank had transplanted its Head Office from Southwark to No. 71 Lombard Street—a pleasant Georgian house on the north side of the street, at the corner of Change Alley and next door to Sir Herbert Taylor's fine front of the Pelican Life Office. (The whole

Meeting held on the 1st instant, the Board of Directors, with a view to meet the increasing importance of the London Establishment and to afford the Company the opportunity of embracing other localities than those comprised in its original designation of the SURREY KENT AND SUSSEX BANKING COMPANY, have resolved that for the future the business of the Company shall be conducted under the style and title of

THE LONDON AND COUNTY BANKING COMPANY.

I have further to inform you that the Directors have resolved on giving to their Customers the advantage of *interest, at the rate of 2 per cent. per annum*, on the minimum monthly balance of current accounts.¹

I am, Sir,

Yours faithfully,

W. F. LE MAITRE

6th March, 1839.

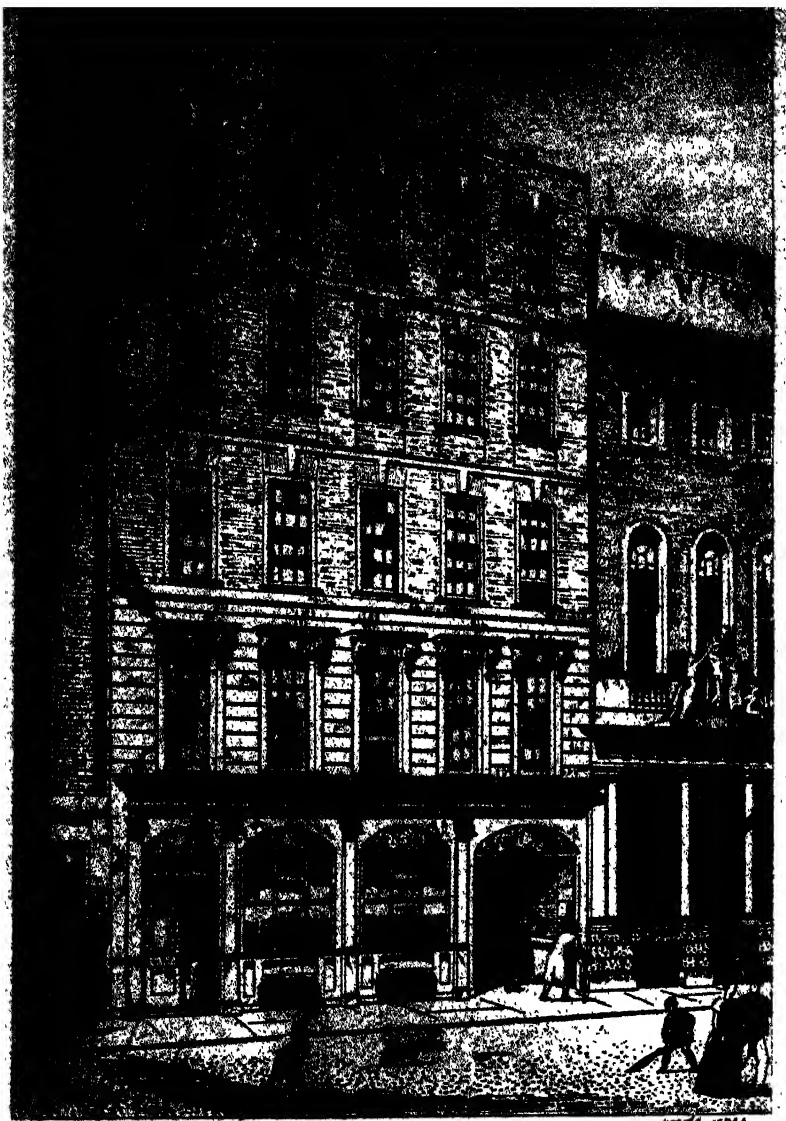
Secretary

P.S. New Cheque Books will be ready for issue on and after the 6th instant.

A long and interesting history lies behind this announcement, involving the enigmatic personality of Thomas Joplin: a history which, together with the subsequent developments, amply confirms the suspicion voiced by Mr. Hartley Withers that 'Joplin was one of those people who happen to hit on a good and fruitful idea, but

site is now occupied by Lloyds Bank.) Here the bank was to remain until early in 1845, when it crossed the street to No. 21. That building, hitherto occupied by the Royal Exchange Assurance, served until the end of 1860, when the foundations of a new Head Office were laid. Temporarily the bank moved into the old South Sea House in Threadneedle Street, but returned in October 1861 to the rebuilt No. 21, of which it is recorded that the whole of the Portland stone used in the construction came from the old Westminster Bridge just demolished. The new building had penetrated to Nicholas Lane, and included the site of the 'Black Boy'. Ultimately the corner of Nicholas Lane was absorbed, also the grim but distinguished Phoenix Assurance building at the corner of Abchurch Lane (1917), which has remained in the bank's occupation to the present day.

¹ The increasing number of banks offering 2 per cent or some other rate on minimum balances obviously forced this move.



71 LOMBARD STREET

The first permanent Head Office of the Surrey Kent and Sussex Banking Co.
(later London and County Banking Co.), 1837-1845.

are quite unable to work with others in putting it into practice'.¹

His *Essay on Banking* had deservedly brought him reputation. In the course of time, he had become a promoter of joint stock banks; in 1840 he wrote truly that 'I have had much experience in the formation of these institutions, which has become with me a sort of profession'.² In 1824 he promoted the Provincial Bank of Ireland and became its first Secretary, but by April 1826 he had ceased to have any connexion with that bank, though not 'in consequence of any disagreement or difference with the directors of the bank'. When asked that question by the House of Lords Committee on 14th April 1826, he denied the allegation, saying that he was 'on the best of terms with the directors of the bank'. He had resigned his situation 'with a view to other objects', and had not intended 'originally . . . to continue as secretary after the charter of the Bank of England was altered'.³

This is in all probability the truth: he was not merely interested in founding provincial joint stock banks, but, from almost the beginning of his career, had nourished ambitious dreams of founding a large 'Metropolitan' establishment.⁴ By 1826 he was thinking of a 'Provincial Bank of England'.⁵ His first real chance to satisfy his ambition came when he was successful in forming a 'syndicate' for the promotion of what afterwards became

¹ Withers, *The National Provincial Bank, 1833-1933*, p. 51.

² A *Letter to the Shareholders of the London and County Banking Company*, 1840, p. 1. For his activities as promoter in the North of England, v. Crick and Wadsworth, *A Hundred Years of Joint Stock Banking*, pp. 115, 145, 203.

³ *Report, Lords Committee on Promissory Notes*, 1826, p. 57. This connexion with the Provincial Bank, he told the Committee, had ceased 'within the last Month', so that the statement in the *Dictionary of National Biography*, accepted by Withers (*op. cit.*, p. 29), that Joplin was active there till 1828, is obviously based on incorrect information.

⁴ v. The fifth edition of the *Essay on Banking*, p. 113, for the plan of a London joint stock bank with a capital of £3,000,000.

⁵ *Op. cit.*, p. 119.

the National Provincial Bank of England.¹ Nevertheless, by the time of the second annual general meeting, Joplin had severed his connexion with the new bank, and was compensated by a cash payment of £1,500 payable in five instalments, retransferring to the bank certain shares which he had had assigned to him, and for which he had 'paid' by a loan from the bank. 'He continued, however, for some years to circularize the shareholders, claiming that his system had not been given a fair trial, and that the promises made to him for remuneration for his preliminary services had not been fulfilled.'²

This sentence is significant, for Joplin's connexion with the London and County Bank was to be virtually a repetition of this episode. The fact is that Joplin did not merely favour joint stock banking in general, but desired to see its extension by means of a combination of centrally and locally subscribed capital. The centrally subscribed capital in a given bank was to benefit from the working of the bank as a whole, but the local shareholders were to gain or lose only in connexion with the local 'Branch' to which they had subscribed.³ It was the refusal of the National

¹ Withers, *The National Provincial Bank*, p. 32. It is interesting to notice that the prospectus there reprinted mentions a committee got together in 1830 'to promote the formation of a Metropolitan Joint Stock Company for Banking in the Country', which included both Lord Bute, later to prove a great friend of the London and Westminster Bank in its most difficult days, as well as Viscount Althorp, one of its most pertinacious opponents, when the question of the 'Enabling Bill' came before Parliament. See above, p. 122 *et seq.*

² Withers, *op. cit.*, pp. 50, 51.

³ See his proposed prospectus of the 'Provincial Bank of England' with a capital of £5 millions, *Essay on Banking*, 5th edition, p. 119. The terms are practically identical, so far as concerns the association of local with London capital, with those stated in the scheme for the creation of a County Bank of England below. As Joplin was thinking—as some of his remarks show—of attracting local private bankers, his idea of local directors was by no means unsound. But the idea of shareholders, some with, and some without, a general interest in the concern proved hopelessly impracticable.

Provincial Bank to implement this plan, on the ground that it was unworkable, which appears to have brought about the breach in that case. Exactly the same issue arose in the case of the London and County Bank. The conflict can be traced in detail by means of the minute books of the Surrey Kent and Sussex and the London and County Banks on the one hand, and on the other by a publication of Joplin's—his *Letter to the Shareholders of the London and County Banking Company*.¹

The history falls into two portions. According to Joplin himself, he was instrumental in getting Lord Nugent to serve as a Director of the Surrey Kent and Sussex Bank, and was himself invited to join the bank, an offer which he refused.² Thereafter he was again approached by Mr. Goatley, of the Surrey Kent and Sussex Bank,

to propose that I should devote a portion of my time to the general superintendence of the Bank, at a salary of £500 to £600 per annum. This I also declined; but subsequently agreed to take a salary of a guinea a-day, and to re-construct the Bank upon the principles of the proposed County Bank of England, this salary to become an annuity as soon as the arrangement had succeeded, and the Capital of the Bank amounted to £200,000. The situation of the Bank at this time having induced several of the Directors to withdraw their names, it became necessary to strengthen its Direction. Accordingly, after the Directors had settled the prospectus of the County Bank, and had taken two rooms in the city, for the greater convenience of meeting, I proceeded to endeavour to obtain additional Directors. This was in the very heat of the last pressure or panic in 1837; and though from this cause it was a matter of great difficulty, I had made some little progress, when I received a notice from the Directors that, at the end of a

¹ The full title is significant: *A Letter to the Shareholders of the London and County Banking Company, on the propriety of making a change in the Direction at the Annual General Meeting, on Thursday, February 6, 1840, and other improvements*, London, 1840.

² Joplin, *A Letter to the Shareholders of the London and County Banking Company*, Appendix II, p. 28. From an undated letter to the Directors of the London and County Bank, but written between March and July 1839.

month, my engagement with them would terminate. I received about £100 from the Bank, and I presume the other expenses incident to my operations might amount to £100 more.

This account is substantially correct, as, though Joplin's full proposals as to his ultimate remuneration are not referred to in his own summary, and though it is clear from the tone of Mr. Goatley's letters that in the earlier stages he was not acting in the name of the Board, but was merely throwing out a suggestion, the minutes of the bank for 27th January 1837 contain a resolution 'That the sum of ten guineas be subscribed for the purposes stated in a circular addressed to the Directors and referring to a pamphlet by Mr. T. Joplin entitled *An examination of the report of the Joint Stock Banking Companies*'. What the 'purposes' were it is no longer possible to discover: possibly the collection of a sum of money for Joplin's benefit. On the same day Goatley entered into direct communication with Joplin. A month was consumed in negotiations, and a complete record of the bargaining is available in the minutes, dated 24th February 1837, in which Joplin's letter of acceptance is recorded thus:

Mr. Joplin's Answer

2, Montague Street, Russell Square,

10 February 1837.

My Dear Sir,

In reply to your favour of the 7th inst. defining more explicitly your previous obliging communication I have the pleasure to state that upon reflection I am of opinion that by a slight reconstruction of your establishment I might be able to accept your kind offer and do you the service you anticipate without materially interfering with my other plans.

I am aware in your present circumstances that economy is an important consideration while if I should be enabled to render the service I anticipate any future reward founded upon success might be given with more satisfaction than any large amount of present payment.

Arrangements on this principle are not without precedent. A Gentleman 15 years younger than I am who received his

Banking Education from myself founded a Bank on a plan known to be mine and suggested by me in every particular. For this he received £1,000 a year as Superintending Director £500 a year for life upon the Bank paying 5 per cent dividend and £200 a year for every 1 per cent above 5 which it might further pay, besides an allowance of shares, a House, etc.

These terms are not such as you could afford but the following proposition may not perhaps be thought objectionable.

That I am to be allowed 50 shares for every 1,000 issued by the Bank on the plan I may propose to be taken up say within 10 years of becoming entitled to them.

That my present salary is to be at the rate of One Guinea per day until the Bank be firmly established.

That it shall not be considered firmly established until it possesses an aggregate paid up Capital of £200,000 upon which 4 per cent dividend is paid.

That previous to this the Directors may withdraw this Salary upon reasonable grounds and notice, but after it is thus established the Salary be converted into an annuity for life to which £100 shall be added for every 1 per cent of further dividend paid.

That when the aggregate capital has reached £500,000 upon which 5 per cent is paid the stipulated remuneration to be doubled, when it amounts to 1,000,000 to be trebled and increased in like proportion for every 500,000 of additional capital.

These last stipulations may appear rather imaginative but I insert them rather for the sake of the principle than from any idea at my time of life they will be realized. It would not however be right for me to have it on record that I gave my services in the reconstruction of such an undertaking for 3 or 400 £ a year.

Should these terms not appear objectionable I shall submit my plans for the consideration of the Directors to be by them either adopted or not as shall appear advisable. Should they reject them my proposition falls to the ground but should they on the contrary adopt them or any part of them either now or hereafter the Bank must be considered bound to pay me the remuneration I have thus stated.

I must also mention that my limited Capital being otherwise employed I shall have to request the Bank to advance the amount of my qualification as a Director upon my Shares at 4 per cent Interest payable after the Bank has declared a dividend.

I would beg further to suggest that if my proposition be acceded to a Copy of our correspondence be placed upon the minutes

with a resolution referring to it, and stating that the Directors agree to the terms proposed.

Permit me also further to stipulate that if at any future period any difference of opinion should arise as to the terms of this understanding in event of its being acted upon that the settlement of any such difference be left to arbitrators one appointed by me and the other by the Bank with power to appoint an Umpire.

I am, My Dear Sir,

To

Yours very truly,

D. Goatley, Esq.

THOS. JOPLIN

The Board having taken the subject of the above correspondence into consideration and having personally communicated with Mr. Joplin, agreed to his proposition with the following alterations.

That he is not necessarily to be a Director.

That the Bank shall not be considered to be firmly established until 5 per cent upon 200,000£ has been paid.

That his remuneration shall not only rise with the dividends but also fall with them and be determined by the amount of profits or dividends which may be actually made.

That 50 shares for every thousand which Mr. Joplin is to be allowed to take at par is to appertain to those issued beyond the number at present taken.

That the period in which he is to be allowed to take them is seven years instead of ten.

With these alterations and amendments his proposition was agreed to, and he was invited to communicate his plans for improving the situation of the Company to the Directors for their consideration.

The following paper containing the heads of Mr. Joplin's plan for improving the Company was consequently presented by Mr. Joplin to the Board.

Mr. Joplin's Plan.

That the Surrey Kent & Sussex Bank enlarge its sphere of action and alter its title to the County Bank of England.

That it establish a Bank in every place within 65 miles of London where it can be done with prospect of advantage upon the following principles.

That each Branch be a separate Bank.

That one half of its shares be subscribed by the County Bank of England and the other half by persons resident upon the spot.

That the Capital subscribed by the County Bank of England be not paid over to each local Bank but be retained in London and the Interest realized thereupon accredited to it.

That the local Banks generally speaking be managed by Directors chosen out of the local Shareholders by the County Bank of England with whom all power relative to the management it is proposed shall rest.

That the local Banks shall use the Notes of the Bank of England or otherwise of the County Bank of England, obtained from Branches to be established for the purpose beyond 65 Miles from London as the Board may hereafter determine.

That a separate Bank be formed in London, with which each local Bank shall keep its account and where the Notes of the Branches of the County Bank of England established beyond 65 Miles from London be paid or otherwise an account be opened for the present with some London Bank for these purposes as shall hereafter appear to the Board most advisable.

That the County Bank of England shall come out as a new Company with a new subscription, an enlarged Direction, and other arrangements, proper to carry these views into effect.

The Board having taken the above plans into consideration

It was Resolved

That they be approved and that steps be taken with Mr. Joplin's assistance to carry them into effect.

Mr. Joplin was also requested to communicate his assent in writing to the amendments made in his proposition by succinctly restating with a view of being placed upon the minutes, his understanding of the arrangement which has been made with him.

To the Directors.
Gentlemen,

2, Montague Street,
Russell Square.

In conformity with your wish I have the pleasure of restating our arrangement, as I now understand it.

That I am to be allowed Fifty Shares for every thousand issued on the plan I have proposed over and above 2,286 already issued, to be taken up within seven years of my becoming entitled to them.

That I am to receive a Salary equal to One Guinea per day until the Bank be firmly established.

That it shall not be considered firmly established until it possesses an aggregate paid up Capital of £200,000 upon which 5 per cent dividend is paid that is until the Capital paid up by the different Banks shall amount to Two Hundred thousand Pounds on the aggregate and five per cent dividend is paid by them on the average.

That the Five Hundred thousand Pounds of Capital is to arise from an issue of twenty thousand shares upon which Ten Pounds shall be paid unless the Directors shall see proper to raise it by calling up a larger amount per share upon a smaller number of shares.

That previously to the Bank being thus firmly established the Directors may withdraw this Salary upon reasonable grounds and notice.

But after it is thus established the Salary to be converted into an annuity for life, to which One Hundred Pounds shall be added for every One per cent above four per cent of profit which may be divided.

That when the aggregate of the Capital paid up has reached five Hundred thousand Pounds upon which 5 per cent of profit is on the average divided, the stipulated remuneration to be doubled, when they amount to One Million to be trebled, and increased in like proportion for every five Hundred thousand Pounds, of additional Capital, any intermediate sum of Capital over and above the first half Million to be paid in proportion.

That the remuneration shall be reduced with a fall in profits in the same degree it increases with the rise of them.

The following exhibits a scale of rise upon the principles laid down.

		5 per cent	6 per cent
100£ added for every one per cent of additional dividend }	200,000	£428 13 0	£528 13 0
The remuneration doubled } when it amounts to	500,000	£857 6 0	£1057 6 0
Increased one fifth of the first line for every 100,000 above	600,000	£943 0 0	£1163 0 0
500,000	700,000	£1028 14 0	£1268 14 0
	etc.	etc.	etc.

The stipulated compensation with reference to the shares will equally apply to my personal representatives as to myself for any number of shares due to me at my decease but in case such shares are not taken up within 12 months of my decease all claim to them to cease.

It is clear from this correspondence and the Directors' resolutions (1) that the title of the bank was chosen by Joplin; (2) that the plan of operation was his; and (3) that the Board of the Surrey Kent and Sussex Bank approved of the plan, and agreed that 'steps be taken with Mr. Joplin's assistance to carry them into effect'.¹

Whatever these 'steps' were, the banking crisis of 1837—as Joplin suggests—or the inherent difficulties of the plan, rendered them nugatory. On Friday 2nd June 1837, the Board resolved as follows:

The Directors of this Board being disappointed that Mr. Joplin has not after a lapse of three months made more progress in effecting his proposed arrangements for establishing the County Bank of England, that the Secretary be desired to write to him and give him notice that the arrangement between him and this Company must cease in one month from the present time.

At this stage the relations between Joplin and the Board became strained. On Friday 20th October 1837, the Board refused to accede to Joplin's request that a statement submitted by him 'be entered on the Minutes as a portion of the proceedings of the Directors at their last Board Meeting', and directed that a copy of their resolution be sent to Joplin. On the same day, another resolution was passed from which it seems a clear inference that Joplin had threatened to go on with his 'County Bank' scheme without the co-operation of the Surrey Kent and Sussex Bank.

It was resolved—

That the Secretary write to Mr. Joplin and inform him that in proceeding with the formation of the County Bank of England

¹ Joplin in his pamphlet reprints (p. 22) the 'prospectus of County Bank of England, as prepared in 1837 by the Directors of the Surrey Kent & Sussex Bank'. The wording of the prospectus follows Joplin's draft so closely as to make it certain that it was his handiwork: as is the case in a second document also reprinted there, the 'General Prospectus for the Local Banks to be established within Sixty-five Miles of London by the County Bank of England, unless an arrangement be made with a private bank, which in each case will be the subject of special agreement'.

Company the Board request that he will do so without reference to any connection between that Company and the Surrey Kent and Sussex Banking Company, as the Surrey Kent and Sussex Banking Company *does not contemplate merging itself into any other*.¹

A week later the Board resolved 'that a Copy of the letter from Mr. Joplin to the Directors dated the 27th inst. be entered on the Minutes'. This letter, which was to play an important role thereafter, acknowledged 'the receipt of your resolution declining to merge the Surrey Kent and Sussex Bank into the County Bank of England. I regret that our connection has not been mutually more advantageous but in terminating it, I beg to express my best thanks for the courteous and gentlemanly treatment which it has been my good fortune to experience from your respectable Board'. On 10th November 1837, the Board agreed to 'comply with the request of Mr. Joplin contained in a letter to the Secretary dated the 10th inst., wherein he asks the permission of the Board to there being lent to him the copy of the Minutes which he submitted to them for insertion respecting their agreement with him'.

This resolution closed the first phase of the connexion. Joplin proceeded with his plan for a County Bank of England, but, as he himself admits, 'the times not proving favourable, it was never brought before the public; and other circumstances rendering it desirable, I proposed to the Surrey Kent and Sussex Bank, in the beginning of this year 1839, to resume their original purpose, as I was in a position to induce parties of the requisite respectability to join the Establishment, provided they carried out the principle which they originally proposed. This was finally agreed to, and resolutions were prepared for the last general meeting, *to enable the Directors to carry out the principle of the County Bank of England, as far as they might find it advisable to do so*. But the legal phraseology of some of these resolutions was altered by the Directors, in such

¹ Italics not in original.

a manner, as not to enable them fully to complete the objects proposed'.¹

On 21st January 1839, the minute book of the Surrey Kent and Sussex Bank records that 'the further consideration of Mr. Joplin's communication from the Provisional Directors of the "County Bank of England Company" be deferred to Wednesday next at 2 o'clock and that a Special Board be convened accordingly'.

The Board duly met on 23rd January 1839, with the result that:

Mr. Joplin's proposal to this Board to elect as Directors of the Surrey Kent and Sussex Banking Company seven gentlemen of the Provisional Directors of the County Bank of England Company having been considered it was resolved

That this Board are prepared to elect the said gentlemen by passing a resolution in the terms of the subjoined form of resolution marked A provided the said gentlemen will address to this Board a letter to the effect of the subjoined form marked B.

Form A

That
be elected Directors of this Company upon their subscribing 7000£ Capital and that the needful resolutions be prepared for proposal at the ensuing general meeting to authorise the Board to alter the designation of the Company and to carry the whole or any part of the plans or the principles of the County Bank of England into effect, provided on mature deliberation the Board shall consider it desirable to do so, it being clearly understood that the Company does not come under the responsibility of any of the past proceedings or any expenditure, debt, or liabilities of the proposed County Bank of England.

Form B

We agree to become Directors of the Surrey Kent and Sussex Banking Company upon the terms of their resolution and each previously to invest £1000 in the shares of the Company either in his own name only or in conjunction with his friends.

¹ Joplin, *op. cit.*, p. 3, and Appendix No. 2, p. 30 (first letter to the London & County Bank) for details of his conversations with the Solicitor and the Chairman of the Surrey Kent and Sussex Bank. Italics not in original.

It is at this stage that the real quarrel began. Joplin had incurred certain expenses: 'in round numbers I consider that about £200 were expended by me previous to the formation of the Committee in Feb. 1838, £100 previous to July 1838, and that since then £300 were advanced to the County Bank of England, by the London and Westminster Bank,¹ for which I am personally liable, £100 has been advanced by myself, and £225 by subscribers, the whole of which has been expended; in all, £200 previous to the formation of the Committee, and about £725 since'. The £225 represented subscriptions for shares *not* withdrawn when the proposed merger was announced, and the London and County Bank 'is in some degree liable' for this sum or for a grant of shares. Joplin's point was that when these sums were mentioned in conversation, they were 'treated as a matter of no moment'. It is true that the minute (printed above) protected the London and County Bank: he did not originally object to the minute, 'but on looking over the minute, now, I perceive that a construction may be put upon it, which I did not put upon it myself at the time, and which I hope I may confidently trust it was not intended to bear; at all events I feel assured that a respectable body of Directors, in dealing with an individual who had been instrumental in doing the Bank so great a service as the new arrangement has proved, will not permit themselves to look at any thing but what is reasonable and just in the case'.²

In a second letter to the Directors, dated 29th July 1839, Joplin again reverted to the matter.³ He never doubted, he argued, that all reasonable expenses would be paid. No objections were made to the expenses during the negotiation,

¹ References to loan transactions between Joplin and the London and Westminster Bank are recorded in the Directors' private minute book under dates of 11th May, 26th Oct. 1837; 1st Feb. 1840; and 24th and 28th June 1841.

² Joplin, *A Letter to the Shareholders*, etc., p. 31.

³ *Op. cit.*, p. 34.

and when the minute was shown to Joplin, he did not think it applied to his expenses: 'had I understood by this minute that the reasonable expences incurred would not have been paid, there would have been an end to the negociation, and even a discussion upon the terms of the minute would have been fatal.' 'If they had not intended to pay any expences, the minute would have said so in plain terms. In the second place, if such had been the meaning of the Board, they would not have allowed me to fall into any error upon the subject, some individual Director, or the Chairman, would have explained to me my mistake'.

A few days afterwards, on 2nd August 1839, a 'Select Committee' was appointed by the London and County Bank to consider these two letters of Joplin's. Whatever chance of an amicable settlement there had been up to this date was now prejudiced by Joplin's next step. In his pamphlet he says:

I sent a copy of my letters to each Director, and amongst the rest, one to Mr. Knox Child, requesting that he would favour me with his sentiments upon the subject. This gentleman, it must be observed, has been one of the most valuable Directors the Bank has had, and is the Superintendant and Inspector of its Branches in Surrey, Kent, and Sussex; and is admitted on all hands to be a gentleman of great personal integrity. He took an active part in bringing about the connexion which was formed, but had subsequently arranged to discontinue his attendance at the Board, and devote all his time to the Branches; and he was so good as to write me a letter admitting the great advantages which had been derived from my interference, and his understanding that I was to be paid all reasonable expenses, and to be remunerated in the event of the arrangement proving successful.¹

This gave the special Committee the opportunity of attacking Joplin on two points. There was, firstly, the question of his legal rights *vis-à-vis* the London and County

¹ Joplin, *A Letter to the Shareholders*, etc., pp. 6 and 7. For Child's letter, see Minute Book 6th August 1839, from which it appears that Joplin's estimate of the letter was reasonably accurate.

Bank; secondly, the propriety of entering into communication with Mr. Child, and the propriety of the latter's having any dealings with Joplin.

It took three weeks for the special Committee 'appointed the 9th instant, to consider the letters addressed to the Board by Mr. Joplin, and also that addressed by Mr. Joplin to Mr. Child, and his answer thereto', to issue its report. The document first set out at length the relations between Joplin and the bank in 1837, reproducing Joplin's letter of 27th October of that year, in which he acknowledged the courtesy with which he had been treated by the Board.

On the relations entered into in the early part of 1839, your Committee deem it needful only to observe that the Board minute of January 23rd, clearly and conclusively shews that neither Mr. Joplin nor the Gentlemen who were associated with him in attempting to form the County Bank of England have any claim upon this Company.

Upon the consideration of these facts and after having afforded to Mr. Child an opportunity to explain his letter to Mr. Joplin, your Committee unanimously Resolved—

1. That Mr. Joplin has received from the 'Surrey Kent & Sussex Bank' the agreed Salary for his Services.
2. That expences to the amt of £500 incurred in the endeavour to carry out Mr. Joplin's plan have also been paid by the Company.
3. That Mr. Joplin has no legal or equitable claim upon the Company for further remuneration, because the plans he laid before the Board have not been adopted.

As regards the unfortunate Mr. Child, the Committee thought his explanation unsatisfactory and that his general attitude towards those who were recently his colleagues showed 'great want of candour, truth & Gentlemanly feeling'. They recommended that his name should be removed from the list of Directors.¹

¹ Joplin, *A Letter to the Shareholders*, etc., pp. 36–38. Board Minutes, 23rd August 1839.

Joplin returned to the attack, in a letter in which he demanded recourse to the arbitral procedure suggested in his letter of 10th February 1837. The former Surrey Kent and Sussex Bank directors had twice agreed to adopt his plan, though on the second occasion

only to a limited extent; to such an extent, however, and with such success, as to bind the Bank, both by the letter and spirit of our agreement, to the terms of it. Hence my agreement with the Bank is not fairly represented by the Committee, even to their own Board.

The reason assigned for my having neither a legal nor an equitable claim upon the Company, is their not having adopted my plans, as if that, assuming it to be true, were an excuse for taking the benefit of my services for nothing, besides involving me in loss. Their object, however, clearly was, not only to avoid present payment, but to get rid of my agreement with the Bank altogether, in which there was no chance of success; for my bargain, as already stated, is a very clear one.¹

Joplin would have been on much safer ground if he had attempted to show that the waiver of liability contained in the agreement of 23rd January 1839 did not apply, legally or equitably, to the expenses he was claiming; for the connexion of 1837 was clearly terminated in that year, and the adoption of his 'plan' was, as the agreement of 1839 explicitly states, entirely within the discretion of the Board. His letter was considered by the Board on 18th October 1839, and his request for arbitration refused. It was now the Board's turn to attack. Child had apologized in a letter received on 6th September 1839: the Board insisted on a return of Child's letter to Joplin,² a request which was complied with in October. In November pressure was put upon Joplin: he was evidently concerned with the promotion of the 'British Colonial Bank and Loan Company' and had 'subscribed as a security' for this

¹ Joplin, *op. cit.*, pp. 40-41.

² For the correspondence between Child and Joplin relative to the return of this letter, *v. Joplin, op. cit.*, pp. 41-42. (*v. also* Board Minutes under date of 11th October 1839.)

venture a sum of £825. He was now asked by the Board to find security for the sum in question.¹

Some time between October 1839 and January 1840, Joplin printed the pamphlet from which much of the foregoing information has been derived. In addition to setting out his case it attacked several of his opponents with asperity, and called upon the shareholders to use the opportunity of the next annual meeting not to re-elect them. On 24th January 1840, at a Board meeting—

Mr. Hawes brought under the consideration of the Board a pamphlet which had accidentally come into his possession, addressed to the Shareholders of this Company by Mr. Thomas Joplin, containing certain unfounded statements and animadversions upon several members on the Direction.

It was moved and seconded that the letter be read by the Secretary.

The letter was read accordingly and the draft of a reply thereto having been prepared and unanimously agreed to, and signed by the Directors present

Resolved

That the Secretary be desired to cause a sufficient number to be printed and to forward a copy to each Shareholder.

Even this did not finish the controversy. On 5th August 1840 a letter from Joplin was read to the Board, and it was Resolved, That the circumstances attending Mr. Joplin's connection with this Company and the whole of the correspondence relating thereto were fully considered by a Committee of this Board in September last, which Committee reported:—

That Mr. Joplin has no legal or equitable claim upon the Company for further remuneration because the plans he laid before the Board had not been adopted.

Resolved

That the Board cannot accede to Mr. Joplin's request for indulgence on his promissory note at 9 months date for £240 guaranteed by G. A. Muskett, Esqre. M.P. due this day.

A week later there is one final reference to the controversy. A shareholder had evidently taken up Joplin's case and

¹ Board Minutes, 15th November 1839.

written to the Board, and next day, 12th August 1840, the following resolution was passed:

That the Secretary be desired to inform Mr. Pierson that Mr. Joplin cannot be admitted to the General Meeting—not being a Shareholder—and that, if he, Mr. Pierson, will apply to the Directors they will afford him such information as will satisfy him that the claim made by Mr. Joplin is neither legal nor equitable.

IV

A CHAPTER OF MISFORTUNES

I

The first two decades of the London and County Bank were marred by a series of incidents, some tragic, some tragicomic, but all of them calculated to impede the progress of the bank—indeed, it is remarkable that in an age of violent inter-bank competition the bank managed to survive and to emerge as one of the leading banking institutions of the country at the beginning of the 'seventies, when its network of branches was greater than that of any other contemporary bank.

The bank's relations with the promoters were unfortunate; but equally so were its relations with its principal officers. On 20th September 1836 it was resolved by the Board that a General Manager was necessary: 'the interests of this Company require that some Gentleman who is well acquainted with the Banking business in all its various branches be engaged as Manager to the Company. That with a view to carrying the foregoing resolution into effect a Committee be appointed to open negotiations with such persons as being qualified by their Banking Experience offer themselves as candidates for the office of Manager of the Bank of this Company'.

Various Directors (Messrs Cooper, Crossley, and Perring) were constituted a committee to negotiate. At the same time it was decided to discontinue to insert the name of

the 'Superintendent' in the prospectuses and advertisements of the company, 'the official duty of the Superintendent being simply that of seeing the arrangements of the principal Banking office of the Company properly conducted'.¹ For over a year nothing appears to have been done; in November 1837 it was decided to advertise the managership. On 1st December of that year it was agreed that a committee of the whole Board should interview gentlemen 'on the reduced list of the candidates'; on the 15th of the same month a new resolution to advertise for a manager was passed. Finally, on 27th December 1837 it was resolved to appoint Mr. Richard Jaffray as General Manager at a salary of £400 per annum, subject to his providing satisfactory security in the amount of £4,000, the appointment to be terminable at three months' notice on either side.

Meanwhile, trouble was being experienced with the Secretary. On 6th October 1837 it was resolved that 'a salary of £100 a year from Xmas next ensuing be offered to Mr. Le Maitre to devote as much time to the Company as will be necessary to discharge the duties of its Secretary and that the engagement be terminable by three months' notice on either side'. A week later, however, 'A letter from Mr. Le Maitre dated the 13th inst. addressed to the Chairman and objecting to the resolution of the last Board which voted him less than £300 per annum for his past services, having been read, he was informed by the Chairman that the Board having so recently taken his business into full consideration were not disposed to entertain it again at present and were therefore resolved to confirm the minutes. Mr. Le Maitre then begged that the Board would understand him not to abandon his claim but to postpone it only, till a more favourable opportunity'. This episode closed with the following minute of 20th October 1837: 'That the minutes of the proceedings of the Board at

¹ Board Minutes, 20th September 1836.

the last Meeting be confirmed with the exception of a minute placed upon the minute Book by the Secretary relating to himself which should not have been entered thereon.'

Trouble also occurred between the Board and Mr. Cutbill, who ended his career at the bank as Sub-Manager. On 6th October 1837 it was resolved, 'an application having been made to the Board by Mr. Cutbill for an increase of salary to £250 per annum, That in consideration of the services and satisfactory conduct of Mr. Cutbill the Board agree to his request, the increased salary to commence from Michaelmas last'. Shortly afterwards, the Board having found it necessary to dispense with the services of their Maidstone agents on the ground of irregularities, he was appointed manager of the Maidstone branch, and on 5th January 1838 it was resolved 'That Mr. Cutbill be appointed the Sub-Manager of the Company's Bank, the Directors highly appreciating his exertions during the past year'. By the end of 1839 Mr. Cutbill and the Board were evidently at daggers drawn. On 15th November of that year the Chairman brought under the notice of the Board a communication made to him by Mr. Wilkinson, a member of the bank's firm of solicitors. Cutbill, said Wilkinson, had informed him in conversation that 'he—the Chairman—was desirous of getting rid of their services as well as those of others connected with the Company'. Finally, Cutbill seems to have admitted using language which might bear this construction; in any case he resigned on 6th December 1839, his letter of resignation of that date being considered by the Board on 13th December, when it was resolved—

That Mr. Cutbill be allowed to retire on the 25th instant, but subject to all the Books and business of the Bank being left to the satisfaction of Mr. Dighton.¹

That the Secretary do inform Mr. Cutbill that the Directors regret they have been obliged to accept his resignation, but the conduct of the business of the Bank, during the periods referred

¹ The new General Manager appointed on 27th November 1839.

to by him in his letter, has been such as to compel them to make a decided change in the management.

That the Secretary do forward the above resolutions to Mr. Cutbill as also that, accepting his resignation, passed on the 6th instant.¹

The seriousness of the position was not diminished by the circumstance that, shortly before, the General Manager had also found it necessary to resign. Trouble had been brewing for some time.² In a long and dignified letter dated 2nd October 1839, considered by the Board on the 4th, Mr. Jaffray tendered his resignation, which was accepted. The allegations contained in it were grave: an unfortunate appointment at one of the branches, interference by a recently appointed director without previous experience of banking, failure to acknowledge the zeal and assiduity of the staff, and some not very creditable transactions by the Chairman of the bank, which involved his prestige with the staff, not only of the London and County Bank, but also of his own private bankers. The text of the letter follows:

71 Lombard Street,
2 October 1839.

Gentlemen,

You must for some time have seen that I have been opposed to the course adopted by one or two of the most active members of

¹ He joined the staff of the Commercial Bank of London, 'which has obtained a very great acquisition, while the London and County Bank has suffered a corresponding loss'. Joplin, *A Letter to the Shareholders of the London and County Banking Company*, p. 15. v. above, p. 307.

² Board meetings had been held on 13th September and 25th September 1839. At the first of these meetings a progress report by the General Manager had been dealt with, some of the items of which were queried by the Board. At the second (special) meeting on 25th September it was reported that certain officers of the bank had not completed bonds and it was resolved that 'Mr. Jaffray be desired immediately to obtain the completion of the whole of the above Surety Bonds . . . or if in any case there are obstacles to their completion, that he report thereon to a future Board'. It was at these meetings, evidently, that the charges of inefficiency alluded to below in more detail were raised.

your Board,—to their notions of management and to the treatment and tone adopted by them towards some of the most zealous, able, and active officers of the Company. This feeling I regret to say has been much increased of late by the conduct pursued respecting Braintree—the rejection of every suggestion respecting the Management of the Branch lately established there; and by an appointment to Leighton Buzzard; they have just agreed to recommend that of a Mr. Evans late Manager of the unfortunate Northern & Central Bank, whose examination before a Committee of the House of Commons, will no doubt be fresh in your recollections, at a Salary of £250 per annum, such a Salary having been refused for the same Branch to an old and tried Servant of the Company, Mr. Sturt of Gravesend, by whose exertions the Branch has obtained some of its most influential and wealthy proprietors, and that upon the ground, ‘that the Company cannot afford so high a Salary as £250 per ann. at Leighton Buzzard’.

These acts coupled with the differences of opinion alluded to, compel me to resign into your hands the office you conferred upon me, the duties of which I entered upon the 1st of January last year. In doing so I feel it further due to you and to myself to allude to the cause of much misrepresentation to which I have been subjected.

My opposition to the theory of your Chairman, that the Bank will never become a great Bank unless it adopts the Lancashire system, of allowing almost unlimited overdrawn accounts; and the unwillingness shown to extend accommodation to himself and friends, have I feel entailed upon me the hostility of that Gentleman.

Had I felt satisfied with the account he kept with this Bank, I should of course, have rejoiced to see its transactions increase, but its irregularity, and the quality of the paper offered for discount, early produced an uneasy feeling in my mind, not a little increased by remarks made to me out of doors. My anxiety was further increased at the close of last June by the return of his acceptance for £500 by his Bankers Messrs Drewett & Fowler, an acceptance discounted by this Bank for his friend Mr. Wilson. The Bill it is true was paid on the following day by Messrs Drewett & Co. but the fact of its dishonor could not be concealed from the Clerks of either Bank, and together with some very irregular transactions with our Customers Messrs Saynes & Co. apparent to the Clerks of this establishment, have placed me, as Manager, in a truly unenviable position.

For the course of conduct adopted by the other Member of your Board to whom I have alluded, Mr. Hawes, I cannot account.

I am at a loss to imagine how a Gentleman who has so recently joined the Bank without any experience in Banking, knowing nothing of the difficulties the Bank has had to contend with, can consider himself justified in deciding upon measures without consulting those practically acquainted with the business of the Bank—and reconcile to his own feelings as a man or a Gentleman—outraging those of the most zealous officers of the Company whose exertions have mainly tended to place it in the position it at present holds, and the damping of whose zeal must prove injurious to its future advancement.

The injury to the Company from the want of Mercantile standing of its Chairman, the treatment the best officers of the Company have received from the Branch Bank Comm^{ee} consisting of the Gentlemen I have alluded to—the want of due consideration for the labours entailed upon all the officers of the Bank by the rapid increase of its business, & the inadequacy of its establishment, and the total neglect of the promises held out to me when I joined it, are I trust sufficient reasons for my resigning my appointment.

When I accepted the office of General Manager, at a salary, admitted by every member of the Board to be a nominal one, it was held out to me by the Chairman ‘as he has since been in the constant habit of doing to others’ that my emolument should increase with the Bank’s success. The year prior to my taking office the receipts of discount amounted to £3070, in my first year they reached £8600, and in the nine months just elapsed they amount to £13,340. The balances of deposits have increased from £67,400 to £314,570, yet to this hour I have heard nothing of an increase of Salary, or found the sacrifice I have made, of comfort, time, and health, appreciated as they ought to have been.

I shall retire from the Company with a grateful sense of the kindness & Gentlemanly feeling I have experienced from many members of the Board and

I remain Gentlemen,

Your very obedient Ser^t

To the Directors of the
London & County Banking Co.

RICH^d JAFFRAY

The resignation was referred to a ‘Select Committee’, one member of which was the very Director singled out by Mr. Jaffray for condemnation for interference. It reported on 25th October. In the interim the General Manager had

evidently returned to the attack. In their report the special Committee concentrated upon the attack on the Chairman:

. . . Your Committee cannot but consider it as fortunate that the late Manager should have given the Board so much notice of his intention to bring it before the proprietors, and, also, that it can be dismissed in a few words.

Mr. Jaffray's letters were not referred to a Select Committee. Your Chairman signed no report upon them and therefore Mr. Jaffray's insinuations, and conclusions, being based upon false data, are quite unworthy of notice.

The Committee to which Mr. Jaffray refers, was appointed in consequence of that Gentleman having verbally expressed at the Board a wish to give up his official duties as soon as possible, and the Board considering from the tone and general character of his letters of nominal resignation that it was desirable he should withdraw at the earliest time, consistently with the proper conduct of the business of the Bank, appointed the Committee to consider how long it was expedient to retain his services. The report of this Committee was accidentally dated four days before its first meeting, and bears the date of the Board at which it was appointed, instead of that of the day on which it was agreed to, and presented, viz: the 11th. Upon Mr. Jaffray's statement that the report in question was signed by the Chairman only, and that 'it had been heretofore the invariable custom for Members of Committees to sign reports individually', your Committee may observe that it has been the practice of Committees to have their reports signed by the Chairman in their behalf since July last, which reports so signed Mr. Jaffray has frequently read at the Board Meetings, and two were read by him at the last Board he attended.

The final reference to the affair is contained in the Board minutes of 31st October. At a special Board Meeting it was unanimously agreed—

That in communicating to Mr. Jaffray [the opinions of various Board meetings to the effect] 'that it was necessary he should retire from the office of Chief Manager of the Company' the Directors only fulfilled a painful duty which was imperatively required of them for the due protection of the interests of the Shareholders committed to their charge.

The Directors individually, and collectively, wished the resolution of the Board . . . to be communicated to Mr. Jaffray in

the kindest possible manner, and the Chairman on behalf of the Board, most judiciously endeavoured to impress this feeling upon that Gentleman, assuring him at the same time that there was not the slightest imputation on his honor, or integrity.

The Directors regret, therefore, the tone which Mr. Jaffray adopted towards them in his letters . . . by which he has forfeited all claim to their future consideration.

Resolved,

That these resolutions be forwarded to the Branch Managers.¹

¹ There was also trouble with another officer of the bank—Mr. Knight. Joplin's pamphlet evidently roused considerable excitement among the shareholders, and he was successful in getting together a group of shareholders the day before the annual meeting on 6th February 1840. The MS. record of the proceedings of the annual meeting of 1840 is still in existence; it is a stout volume of some hundreds of pages. Some very bitter speaking was indulged in by both sides: the general line adopted by the Board was that Mr. Cutbill had discriminated between branches and customers and had shown lack of judgment; that Mr. Jaffray was 'inefficient', and though capable of managing a small bank was not capable of managing a large one; whilst Joplin's character was assailed by quoting the private opinion of the single director who was friendly to him, of his capacities as a director in connection with another bank. In the end, the board was supported by an overwhelming majority of the shareholders present. (*Report of the Proceedings at the Annual General Meeting of the London and County Banking Company held in the Large Room of their Establishment, 71 Lombard St.*)

The attacks on the bank continued, and in the annual Report for 1841 it is stated that 'Your Directors think it right to notice the statements which have been most industriously and maliciously circulated in various channels, by unprincipled parties, containing false accounts of the affairs of the Bank, and equally unfounded personal attacks on some of your Directors. During the period of their publication nearly all your Directors and your late and present Manager have received letters, couched in language and containing threats, which can only be accounted for on the supposition that the writer wishes by these means to extort money. Your Directors have disregarded these attacks, believing the confidence which has hitherto been extended to them cannot be shaken by such unworthy means'. At the annual meeting on 2nd February 1843, the Board was obliged to admit that 'the costs of the action brought by Mr. Jaffray against five of your Directors, for circulating the printed report of the proceedings of the last Annual Meeting, will be laid before you and charged to the expenditure of the Company'.

On 27th November 1839 the Board resolved that 'Mr. Thomas Dighton be appointed Manager of this Company, at a salary of £800 per annum', subject to furnishing satisfactory sureties to an amount of £5,000, the contract to be terminable at three months' notice on either side.

This appointment was to cause great trouble to the bank. At the half-yearly meeting on 5th August 1841 the Board were forced to report to the shareholders that the new General Manager had disappeared, and that 'the unexplained absence of Mr. Dighton has rendered it needful to declare the situation of General Manager vacant. It is due to Mr. Dighton to state, and will be satisfactory to the Meeting to learn, that the effects of the Bank are perfectly correct'. Unfortunately, this optimism had to be tempered at the annual meeting on 3rd February 1842; the Directors reported that 'Mr. Dighton's absence is still unexplained; and although the Directors have no reason to alter the statements they made at the last Meeting, respecting the correctness of his Accounts, they lament to be obliged to report a dereliction of duty in his transactions with Messrs Colls & Co., which has involved the Company in a law suit, to maintain their right to securities received for cash advanced to them; and amongst the Bills he took from Colls & Co. are some of inferior character, upon which there will be a loss: but on estimating carefully the amount of the Dividends likely to be paid thereon, the Directors believe this loss will be covered by Mr. Dighton's sureties.'¹

¹ Dighton's successor as General Manager was Mr. Henry Luard. In view of later events, the Directors' eulogy of him reads ironically. They 'congratulate the Proprietors' on his appointment: 'His high and well-known character—his practical knowledge and experience—and his general courtesy—justify the Directors in anticipating the greatest benefits from his connection with the Company'. (Report for 1841.) In June 1836 the London and Westminster Directors had received a 'letter from Henry Luard, Esq. to be considered a candidate for a seat in the Direction'. A laconic minute runs: 'The Secretary directed to acknowledge receipt accordingly'. Mr. Luard was not elected.

The litigation connected with the case of Colls & Co. was conducted for several years, with varying results, but at the half-yearly meeting on 7th August 1845 the Directors were able 'to report the termination of the law proceedings arising out of the affairs of Colls & Co., on terms favourable to this Company. The exact loss on this account cannot be ascertained until the Dividend on Colls & Co.'s estate is declared; but it is a source of much satisfaction to your Directors that the loss, which on many occasions has been much exaggerated, will not exceed the sum to the credit of the Guarantee Fund; and it is the intention of your Directors, at the next Meeting of the Company to submit to the Proprietors the Resolution applying that fund, or such part of it as may be required, to its liquidation'. As an ancillary case (*Acraman v. Cooper*) had also been settled, 'your Directors think it right to call the attention of the Meeting to the improved prospects of the Company, and to express their opinion that the cessation of the expensive law proceedings in which the Company has been engaged during the last three years, and the release of a large sum so long unemployed for profitable investment, will, at an early period justify a satisfactory increase of Dividends to the Proprietors'.

On 5th February 1846 it was possible to announce that 'in consequence of the improving value of the securities held by the Bank, the appropriation of any part of the Guarantee Fund to its liquidation is considered unnecessary.'

II

At the annual meeting on 7th February 1856 the adoption of the Report was moved by the Rev. Mr. Johnston, who took the opportunity of expressing his 'conviction that their prosperity was mainly to be attributed to the chairman, who had not only brought great abilities to bear in the conducting of the bank, but had shown his confidence in their strength and position by taking up all the new

shares refused by the shareholders, at par, when they were at a discount on the Stock Exchange. Moreover, he had not taken advantage of that circumstance to benefit himself; but, when the shares rose to a premium had, with the profit made by their sale, founded the provident fund, which was the jewel and flower of the institution'.¹

Within a fortnight of the delivery of this eulogy, the dead body of the Chairman, John Sadleir, M.P., a former Junior Lord of the Treasury, was found on Hampstead Heath, 'at a considerable distance from the public road. A large bottle, labelled "Essential oil of bitter almonds", and a silver cream-jug, both of which contained a small quantity of the poison, lay by his side'.² The immediate cause of his suicide was the refusal of Messrs Glyn & Co. to honour the drafts of the Tipperary Joint Stock Bank, of which his brother was Managing Director. In his efforts to raise money, 'a proposal made to Messrs Wilkinson, Gurney, and Stevens, who had frequently assisted him in raising money, was so unreasonable, that their suspicions were aroused as to the genuineness of certain deeds under the seal of the Irish Encumbered Estates Commission, upon the security of which they had already made considerable advances. Sadleir detected the doubt which he had unwittingly raised, and he was not mistaken in his expectations, that the firm would take instant steps to satisfy themselves. He saw at once that the game was up—for the signatures to the documents were forged, the official seal of the Court having been transferred from a genuine deed—and he at once made up his mind to anticipate the *denouement*'.³

¹ *Bankers' Magazine*, 1856, p. 176.

² *Times* report of 18th February 1856. A full account, based on contemporary records, will be found in D. Morier Evans, *Facts, Failures, and Frauds*, 1859, pp. 226–267. See also *Bankers' Magazine*, 1856, pp. 293–299, 555–559, and, as regards the affairs of the Tipperary Bank, 152, 226 *et seq.*, 300 *et seq.*, 363 *et seq.*, 429 *et seq.*, 731 *et seq.*, 826 *et seq.*

³ D. Morier Evans, *op. cit.*, p. 234.

It is unnecessary here to go into details—it is clear that Sadleir forged 20,000 shares and 12,000 obligations of the Royal Swedish Railway Company and stood indebted to that company to the enormous extent of £346,000. He had taken £200,000 from the Tipperary Bank and had robbed the Newcastle Commercial Bank, over which he had acquired control, of some £55,000, of which amount £51,000 had been ‘lent’ to the Tipperary Bank—apart from manufacturing title deeds to land in Ireland. ‘And what is by no means the least singular part of the affair is, that nobody has ever been able to form a conjecture of the manner in which the money thus fraudulently obtained was dissipated.’¹

Sadleir had become Chairman of the London and County Bank in 1848: ‘Your Directors’, so the shareholders were informed on 1st February 1849, ‘have the satisfaction to announce that John Sadleir, Esq., M.P., has been elected Chairman, a gentleman whose general habits of business and intimate knowledge of the system of district banking eminently qualify him for that position’. He had occupied the Chair ever since, and the news of his suicide and of the fearful losses he had inflicted on others must have created a situation perilous in the extreme for the London and County Bank. Deposits did fall by £200,000²

¹ D. Morier Evans, *op. cit.*, p. 236.

² At the half-yearly meeting on 9th August 1856 the Chairman explained the fall as in part a seasonal and recurrent experience: ‘We are a country bank, and you know in country operations farmers have to expend a great amount of their capital, and sometimes to borrow, temporarily, sums from a bank for the purpose of carrying on their improvements and paying their expenses in the spring and the earlier season of the year. In the autumn they become richer. They have their harvest realised. They have their lean cattle fed, and they are in a position to sell them, and they are always in a better position at the end of the year than at an earlier period. I would remark that the balances have always been larger in the winter half of the year than they are in the summer, arising from that circumstance.’ *Bankers’ Magazine*, 1856, p. 581.

between December 1855 and June 1856, and were £900,000 less at the end of the year than they had been twelve months before.¹ Immediate action had to be taken, and was, in fact, taken.

Four of the Directors found it necessary to resign between February and May 1856,² Messrs Keating and Rhodes expressly in view of their unfortunate relationship with Sadleir, either as co-Directors or because of heavy loss in connexion with the Tipperary Bank. Their places were taken by Messrs Hoghton, Laming, and Nicol, and by the time of the half-yearly meeting on 7th August three more new Directors had joined. In order to satisfy the three first named, and to pacify opinion generally, an independent survey of the validity of the securities lodged by Sadleir with the London and County Bank was undertaken by Messrs Freshfield, the solicitors to the Bank of England: at a Board meeting on 4th March 1856,

Mr. Wilkinson the Company's Solicitor, and Mr. Freshfield the Solicitor to the Bank of England, attended the Board and discussed the expediency of issuing a Circular to the branches, to be signed by Messrs Freshfield, to the effect that the Securities lodged with the Bank by the late Mr. John Sadleir had been examined, and that so far as the investigation had gone no forged deeds had been found amongst them. The Board being unanimous upon the subject, a letter was accordingly drawn up, and signed by Messrs Freshfield and addressed to Messrs Hoghton, Laming, and Nicol,

¹ Attributed to the loss of confidence felt generally as a result of the failure of the Royal British Bank. The loss was mainly on deposit accounts, not current accounts, but since 13th December 1856 balances were up by nearly £250,000. (Chairman's speech at annual meeting, 5th February 1857. *Bankers' Magazine*, 1857, p. 243.)

² Messrs Keating, Rhodes, Law, and Swynfen Jervis. Mr. Rhodes also resigned as Trustee. A rather grim element of humour crept in in connexion with Mr. Keating's resignation, which was first tendered by Mr. Rhodes on 19th February, to be repudiated by Mr. Keating on the 21st of the same month. He finally retired on the ground of 'considerable pecuniary embarrassment', 4th March (Board Minutes of 1856, 19th and 26th February, 4th and 11th March, 20th May).

the new Directors, of which the following is a copy, and which the General Manager was desired to transmit to the respective Branch Managers, with a circular letter from himself.

To Messrs Hoghton, Laming, and Nicol.

Gentlemen,

In compliance with the wish expressed by [?], we beg to assure you that in the investigation of the Securities held by the London and County Bank for the debt of the late Mr. John Sadleir, now in progress, we have not found among them any forged deeds; and from the progress of our enquiries, we have the strongest conviction that the apprehensions on this ground are unfounded.

We remain, etc.

J. C. & H. FRESHFIELD

Further, an immediate investigation into the affairs of the bank was conducted. After the half-yearly accounts were made up on 30th June, J. E. Coleman, the most eminent 'Public Accountant' of his generation, was called in to report upon the accounts; but long before that, on 11th March, 'it was moved and unanimously agreed to, that the following Gentlemen do constitute a Committee for the purpose of examining into the present, and reporting their opinion upon the future management of the Bank'.¹

Their first report was dated 24th March, it was unanimous, and it disclosed grave irregularity of conduct on the part of Mr. Henry Luard, the General Manager.

First report.

Having been appointed by the Board to look into the general circumstances of the management of the Bank, and particularly with reference to some accounts connected with it, the Committee have taken that of the General Manager as first in order, and however desirous to avoid adding to the anxieties occasioned by recent events, it is felt that this case involves responsibilities so great that although the enquiry concerning it may be yet unfinished,

¹ The members of the investigating Committee were Messrs Burmester, Jones, Nicol, Hoghton, and Laming. Thus the new Directors were in a majority.

it is expedient to report to the Board without delay the Committee's present results and convictions regarding it.

Mr. Luard is indebted to the Bank £5,500 commenced by loans of 3 years standing, certain Shares and properties being held as Securities against this sum and to which it is believed some leases and his life Policy for £1,000 might be added if desired.

The Committee has had several interviews with Mr. Luard, and as circumstances have suggested, have consulted successively Mr. Law, Mr. Cory, Mr. McKewan and Mr. Burnand upon this and upon some of his other personal transactions with the Bank. The Committee deeply regret to find it to be their duty to state that thus far in no one instance have these matters been improved for Mr. Luard by enquiry: it has remained substantiated by the progress of these investigations.

1st That at the time of Rolt & Mare's promissory Note for £10,000 in Novr. last, Mr. Luard stipulated for, and appropriated, a personal remuneration for himself, on this single transaction of our business, of about £170 beyond the Bank's rate of discount.

2dly That in an Agency stated by him to be altogether of a private nature for Mr. Mends of Australia, Mr. Luard's acceptances to the drafts of Mends were given with the Bank Stamp as General Manager, while the property in the shares themselves, wears the appearance of having been alienated without the owners knowledge or consent, because in his recent letters 'his 30 shares' in the Bank are mentioned as in present possession, and it is proved that Mr. Luard is still paying the Dividends to the credit of Mends without producing the shares or the power of attorney.

3dly, in 1853, a Stock Exchange loan to Mr. P. Burnand for £8,000 was arranged for entirely by Mr. Luard, the Securities for it having been surreptitiously withheld from the Bank.

4thly, of such of the Stock Exchange loan Accounts as have come under the consideration of the Committee that of Ewart and Bell is one of the largest and most unsatisfactory. These transactions are especially under the control of the General Manager, and in this instance for £90,000. One the sum of £43,345, only is protected by Security. It is difficult to disconnect this fact with that of Mr. Luard being now, and probably he has long been, deeply indebted to these parties, and the Account is likely to result in a loss of £10,000 to the Bank, and

5thly, and above all, Mr. Luard's recent endeavours to borrow from his friends a sum sufficient to pay off, as the Committee have

required him to do, at least some material portion of his debt to the Bank, reveal a state of his affairs bordering on insolvency, inasmuch as the so called Securities which are held against it are many of them as disreputable in themselves as they are in substance, and character—a defiance of that confidence in which so peculiar a position as that which he fills in this establishment was conferred upon him.

Without anticipating the view the Board may take of these circumstances, the Committee cannot but express their fears that the only alternative left, is to carry out Mr. Luard's separation, and, if so decided, the Board's wishes and instructions are requested as to the time and manner of effecting it.

London & County Bank }
21, Lombard St., }
24th March, 1856. }

J. W. BURMESTER
W. NICOL

{ A. A. HOUGHTON
{ W. C. JONES
{ JAMES LAMING.

On the next day, 25th March, at a meeting of the Board,

It was moved, seconded, and unanimously agreed to, That Mr. Luard's resignation be received, and accepted.

It was moved, seconded, and unanimously agreed to, That Mr. William McKewan be appointed, provisionally, General Manager of the Bank in place of Mr. Luard resigned.

Further changes in the internal organization of the bank were suggested in a second report, which were agreed to on 15th April, but these were of lesser significance. The important matter was the general soundness of the bank.

Coleman's report, dated 4th August 1856, was reassuring; upon the whole he was satisfied that 'the business is a sound one, that it is carried on with judgment, and is likely to continue profitable'. In conclusion, he said, 'The general business carried on in your various departments, with but few exceptions, is both sound and profitable; the mode in which your branch returns are made, and the supervision of your inspectors, is most effective; and, when

I find that your depositors in the country exceed 6100 in number, whose deposits, after providing sufficient capital for the whole of the requirements of the sixty-two branches, leaves an amount of one million and a quarter to one million and a half of money, for profitable employment by the head establishment, I feel that confidence which you have gained forms a most important element in the soundness and general stability of your Company'.

He had specially investigated two accounts, 'the notoriety of the connection of your bank with the Westminster Improvement Commissioners and the late John Sadleir' being the justification for special enquiry. Both these accounts stood in better shape than might have been expected; in the case of the Westminster Improvements 'the bank may fairly expect to realize' from the mortgages 'the amount of these advances': and, in reference to the debt due from the late John Sadleir, 'I may state that the original amount has been much reduced, that the realization of securities is proceeding steadily, and I see no reason to doubt that the whole will be discharged in the course of twelve months, with the exception of a sum due on mortgage, which is the subject of legal proceedings. On the validity of this it would not be proper for me to offer an opinion'.

On two points he expressed some doubt: on 'how far it may be expedient for you to create a further reserve on your current business' and on the expediency of increasing the paid-up capital, 'when taken in comparison with the enormous extent of your present business operations; operations, I should imagine, far exceeding the most sanguine expectations of any persons connected with your establishment, and operations likely, as far as I can see, to be still further extended. I feel strongly how important it is, that the foundation of such an establishment should be of sufficient strength and solidity to carry its full weight, and inspire confidence in the public; and I have ventured

to call to your attention the point, being satisfied that it deserves your serious consideration'.¹

At the half-yearly meeting on 7th August 1856 the Chair was taken by Mr. Nicol, one of the new Directors. His address to the shareholders was lengthy and dealt in full detail with the issues which had arisen. The calling of a half-yearly meeting 'has not been usual . . . for eight or ten years past. . . . That is easily accounted for when you consider that this bank is essentially a country bank, and it is not very convenient for shareholders in the country to leave their ordinary occupations in the summer season to attend meetings in London. . . . But, on this occasion, I am sure you will forgive the directors for calling you together, after the events which have occurred since the last meeting in February'. Since the last meeting, 'the directors have resolved that for a time, at all events, there should be no chairman of the London and County Bank. The chair is now taken by rotation monthly, and each month a new chairman is selected for the occasion'. As regards Mr. Coleman's recommendations, the relation between the paid-up capital and the outside liabilities was more favourable than in the case of 'any of the established banks of the City of London. . . . As compared with other banks, our capital and our reserved fund will bear comparison with the best of them'. But it would be advisable to reconsider both the amount of capital and of the reserve fund at a future period, 'looking at the probability that your business may be very considerably extended'.

As regards the Sadleir account, it stood in the books at that moment at £112,000, and the bank possessed, in titles to land and other securities, £137,000 to cover the obligation.

I cannot dismiss this part of the subject without paying the highest compliment which I am capable of paying to the energy,

¹ *Bankers' Magazine*, 1856, pp. 577-579. D. Morier Evans, *Facts, Failures, and Frauds*, 1859, pp. 265-267.

activity, and zeal with which our worthy solicitors have acted on this trying occasion. . . . Long before the career of the unhappy man was terminated, whose name I need scarcely mention to you again, they had taken steps for realisation, and for the securities being vested in the trustees of the bank, and not continued as a deposit, which is the ordinary banking security. You are aware . . . that if a gentleman borrows a sum of money for a temporary purpose, he merely lodges a security. The directors were not satisfied with that. Mr. Sadleir's account amounted to so large a sum that they thought it right to have all those securities vested in the trustees of the bank, so that there might be no doubt on the subject.

As regards the Westminster Improvements¹ loan, the amount involved was £43,500. That amount was secured only secondarily by bonds; in addition,

There is some land, amounting to something exceeding £5,000; there are houses and grounds which amount to about £20,000, and other houses amounting to £17,000, amounting altogether to £43,500 freehold and leasehold estate. . . . When we look to the position of the Westminster property . . . and when we look at the necessity which the Government must shortly be under of demolishing a very large amount of property in that neighbourhood, and making great improvements there, I think you will be of opinion with me that the Westminster property will, in all probability, become exceedingly valuable; and when the houses are finished and let, then the time will come when we shall be able to dispose of them to advantage, and I hope and trust without any loss to any one.²

The immediate crisis was overcome, but it is clear that a good many difficulties remained. For the next few years the shareholders remained exceedingly sensitive on the question of the borrowings of Directors and servants of the bank. At the half-yearly meeting on 6th August 1857 the Chairman pointed out that 'no director, auditor, or any officer of the bank owed it is., and it was contrary to their regulations that any director or secretary should ever owe

¹ The Westminster Improvements were concerned with the creation of Victoria Street, commenced in 1845 and opened in 1851.

² *Bankers' Magazine*, 1856, pp. 575-585.

anything to the bank'. In 1859, at the annual meeting on 3rd February, in reply to a question from a proprietor whether any of the directors had an overdrawn account with the bank, the Chairman's answer, 'Not one', was greeted with loud applause.¹

At the same time, Mr. Coleman was privately pressing the bank, in a second report² dated 2nd February 1857, to deal with its 'dormant accounts', which amounted, in his estimation, to over half a million pounds, arising from 'transactions of long standing where builders and speculative solicitors have misled or deluded your Managers—but it must not be forgotten that a very large portion arise from transactions of the Head Office irrespective of those appertaining to the late Mr. Sadleir'. The result was that 'the whole of your Subscribed Capital is locked up in dormant Securities—this is not the purpose for which such Capital was subscribed, and therefore ought not to remain as it is one moment longer than it can be brought back to its proper and legitimate channel'.³

Meanwhile, the liquidation of the Sadleir and Westminster advances still remained to be dealt with, and for some years to come the bank was to be involved in costly and tedious legal proceedings in connexion with Sadleir's Irish estates. These proceedings arose out of the complicated dealings of Sadleir with the Tipperary Bank and with others. The London and County Bank desired to dispose of the Irish properties as soon as possible, but the sales were in part delayed through the dilatoriness of legal procedure. As the estates were gradually realized, the London and County Bank found itself prevented from

¹ *Bankers' Magazine*, 1859, p. 172.

² Board Minutes, 3rd February 1857.

³ The question of the 'dormant accounts' was never publicly discussed. The remarkable growth of the deposits of the bank, from £3½ millions in December 1857 to over £13 millions in December 1869, accompanied by a doubling of the capital and a large increase in the reserve fund, no doubt enabled this problem to be disposed of internally.

disposing of the money by actions brought against it by the Tipperary Bank,¹ and by Mr. Eyre. The case of the Tipperary Bank was that the London and County Bank must have known of Sadleir's heavy borrowing from the Tipperary Bank, to which institution he was indebted to the amount of £200,000. On 6th December 1858 judgment was given in favour of the London and County Bank; on appeal to the Irish High Court of Chancery the appeal was dismissed with costs.²

Victorious in this series of actions, the London and County Bank was to lose another series by a final appeal of the plaintiff to the House of Lords. In 1857, Thomas Eyre, of Bath—formerly for a time Sadleir's solicitor—applied to the Master in Chancery to receive proof of a bill of exchange for £17,000 dated 26th November 1855, drawn and endorsed by Sadleir. On 7th November 1859, the Landed Estates Court in Dublin found for the London and County Bank in an action brought by Eyre. By a deed of 20th October 1854, Eyre had conveyed land to Sadleir, part of which had since been sold by the bank. In August 1855, Sadleir had mortgaged the said lands to the London and County Bank, who were unaware of the former deed. They heard of it soon after, and Sadleir undertook to get Mr. Eyre's release, which he did by forgery and fraud. The judge said that Mr. Eyre could not set aside the release. 'It would be a decision in favour of the more negligent of two incorrect parties.'³

On appeal, Eyre's case was dismissed by the Lord

¹ *Bankers' Magazine*, 1858. Chairman's speech, 1858, p. 869; p. 898 (proceedings in Landed Estates Court, Dublin); p. 881 ('The Banking Connexions of John Sadleir').

² *Ibid.*, 1859, p. 171 (Chairman's speech, 3rd February 1859); p. 596 (Chairman's speech, 4th August 1859); p. 27 (Details of the case between the Tipperary Bank and the London and County Bank and the judgment of the Encumbered Estates Court of 6th December 1858).

³ *Ibid.*, 1859, p. 792. *In re J. W. Burmester and others.*

Chancellor of Ireland.¹ Mr. Eyre appealed to the House of Lords; it was prudent, said the Chairman on 7th February 1861, to add £15,000 to the reserve fund, and in the end Mr. Eyre won, the House of Lords taking the view that Eyre was the owner, and during the lifetime of Sadleir could have set aside the release on the ground of fraud. His title was better than that of the London and County Bank.²

Mr. Eyre was successful in another series of cases, also arising out of Sadleir's affairs, connected with a mortgage created by the Marquis of Chandos upon his estates. The mortgage was assigned by Sadleir to the London and County Bank subject to certain charges incurred in consequence of loans advanced to Sadleir, which loans were taken over by Mr. Eyre, against the assignment to him of the security previously possessed by those who had advanced to Sadleir. The case was heard before Vice-Chancellor Wood, and the bank lost; on appeal it was dismissed by the Lords Justices in Chancery.³

Finally, in 1863-1864 there was litigation with Mr. Eyre in connexion with a claim by the latter for £17,300. 'In 1855 Mr. Sadleir paid to the bank a considerable sum of money on account of his debt, withdrawing at the same time certain securities then held by them, which were handed over to Mr. Backhouse, of Darlington, and amongst them was a security upon which Mr. Eyre had a lien unknown to the directors.' Proceedings were begun, discontinued by Mr. Eyre in 1861, and resumed, and the Master of the Rolls gave judgment against the bank.⁴

¹ Chairman's speech, 7th August 1860 (*Bunkers' Magazine*, 1860, p. 658).

² *Ibid.*, 1862, p. 365 (*Eyre v. Burmester*).

³ *Ibid.*, 1862, p. 426, and *Ibid.*, 1863, p. 176 (*Cory v. Eyre*). For cases arising out of the 'share-pushing' activities of Sadleir and his satellite Directors, see *Ginger v. Law* (*Bankers' Magazine*, 1857, p. 322), and *Wilson v. Keating* (*Ibid.*, 1859, p. 393).

⁴ Annual meeting, 4th February 1864. *Ibid.*, 1864, p. 282.

The bank appealed successfully to the Lord Chancellor.¹

The Westminster properties gave far less trouble than the Sadleir estates. At the half-yearly meeting on 6th August 1857, the shareholders were told that the Westminster property (of which the bank had become landlord) was likely to improve in value very rapidly: tenants were applying for occupation and 'there was little reason to fear that they would [not] get out of the property without loss of money'. In 1858 (5th August) it was announced that the Westminster properties were being 'readily let at good rents', the new improvements (the Westminster Palace Hotel, and the building of Victoria Station—both erected in 1860) were likely to be beneficial. The matter cropped up again in 1861; the tone was distinctly optimistic and the shareholders were told that there was every reason to believe that the property would rise in value before very long. Thereafter the matter dropped out of sight.

The Sadleir affair may be said to mark the turning point in the history of the bank. By 1864² the Chairman was able to say that he had never addressed the shareholders

with such unqualified satisfaction as he did on the present occasion. In the earlier years of his connection with the bank it had many difficulties to struggle with, arising entirely from the misconduct of one unhappy man who had long ceased to exist. Years after he had been laid in a suicidal grave they had suffered from the effects of his misconduct, and were deprived of those fair gains which they had a right to expect. Indeed to such an extent did his misconduct affect the bank that many persons thought that it would never be able to recover itself; but the shareholders had confidence in the bank and in the directors, aided as they were by skilful officers in the conduct of the business, and that confidence enabled them to face the storm which existed for many years. . . . The board were enabled to come before the proprietors that day offering them the largest dividend that any bank had made, and which left the institution in as prosperous a condition as any bank in England.

¹ Half-yearly meeting, 4th August 1864, *Bankers' Magazine*, p. 876.

² *Ibid.*, 1865, pp. 345-346.

The position of the bank had improved so much, in fact, that it successfully withstood a campaign of misrepresentation in 1866, the critical year which proved fatal to many banking concerns. The circumstances are fully explained in the following extract from the Chairman's speech at the half-yearly meeting on 2nd August 1866.¹

A number of persons banded themselves together, some of whom, he hoped not many, were said to be connected with the Stock Exchange, in order to depreciate their shares. . . . Anything more unscrupulous than the conduct of some of these persons, in the attack made on this bank, was hardly possible to imagine. The accounts that were now laid before the shareholders gave a true and faithful statement of the position of the bank; but the figures did not shew the amount of malevolence which had been displayed by a number of persons who he believed went under the denomination of 'bears'. When these attacks were made on the bank it was not to be wondered at that their balances had been reduced. These persons spread the most calumnious reports of the position of the bank; they said that it had only a few days to live, at the expiration of which its doors would be closed as those of other banks had been. Not only did these persons thrust themselves into omnibuses, but they went into public-houses and railway trains, and they introduced the subject of the position of the London and County Bank wherever they went. And not satisfied with that, they sent circulars to the shareholders in the country, anonymous circulars, signed 'A true friend,' advising them to sell their shares. Nothing, in fact, could exceed their determination to ruin the bank, if possible, but he was glad to say the bank was not ruined.

V

THE EXPANSION OF THE LONDON AND COUNTY BANK

By the middle of the seventies of last century the London and County Bank, measured by the number of its branches, was the largest bank in England and Wales,² followed

¹ *Bankers' Magazine*, 1866, p. 1098.

² Dun, *British Banking Statistics*, p. 23.

closely by the National Provincial Bank. The remarkable features of this development were, firstly, that the network of branches had been built up almost without recourse to the twin principles of amalgamation and absorption and, secondly, that the sphere of operation was kept within well-defined geographical limits which, if they exceeded those laid down in the original prospectus of the Surrey Kent and Sussex Bank, nevertheless gave the bank a definite territory—namely, London itself and the counties lying around it.

This concentration upon a territory without great cities—except London itself—and without great industries (for the southward trend of industry was not even dreamt of) left its mark both upon the business of the bank and the attitude of mind of those who guided its destinies. The bank liked to think of itself as the ‘farmers’ bank’:

... a large proportion of the bank’s customers were farmers and agriculturists, and this class were necessarily in the habit of reducing their balances at seed time. The fact of their doing so operated more upon the London and County Bank than upon any other, and that for the reason that this bank had upon its books more farming accounts than any similar establishment in the world. They had, indeed, a powerful contemporary, whose institution was in principle identical with theirs, and who had many branches outside the metropolis; but their attention was chiefly directed to the large manufacturing towns; and, whilst that was the case, it was evident that, *pro tanto*, they left the cultivation of the land to the London and County Bank. The position of affairs, so long as the latter had the farms and farming stock as security for the advances they made, rendered this great department of their business safe to transact, and it had always been highly valuable and satisfactory.¹

Again in 1877, the General Manager, replying to the age-long charge that the bank ‘drained’ the country branches for the benefit of London, said:

... I am glad the subject was introduced, because it enables us altogether to remove a misapprehension which seems to exist that

¹ *Bankers’ Magazine*, 1871, p. 243.

there is a desire to starve the country, if I may use such an expression, that is, to deny proper and legitimate accommodation to our customers at the country branches, in order that the money may be drafted up to London to be employed at moderate rates in London. Now, no idea can be more erroneous than that; our object is to employ as much money as we possibly can safely at our branches, because it is our interest to support our customers there when we can do it legitimately. . . . I say unhesitatingly that there is no proper accommodation refused to a customer at any one branch. . . . The misfortune is, and it is one of the incidents of the constitution of the bank, that our branches are mainly scattered through agricultural districts, and we have no large manufacturing towns like Manchester, Bradford, or Newcastle, which absorb enormous sums of money. We have nothing of that sort. The tendency of the great deposits in the country is to flow up to London, and the onus of employing that money is thrown upon the London office, and that is how it is that we are obliged to hold so large a sum in London, invested in some form or the other; and when the bank rate is so low, and the means of employing so low, it tells adversely against the profits of such institutions, where we have a large capital to pay dividend upon, and a large sum to employ upon the London market.¹

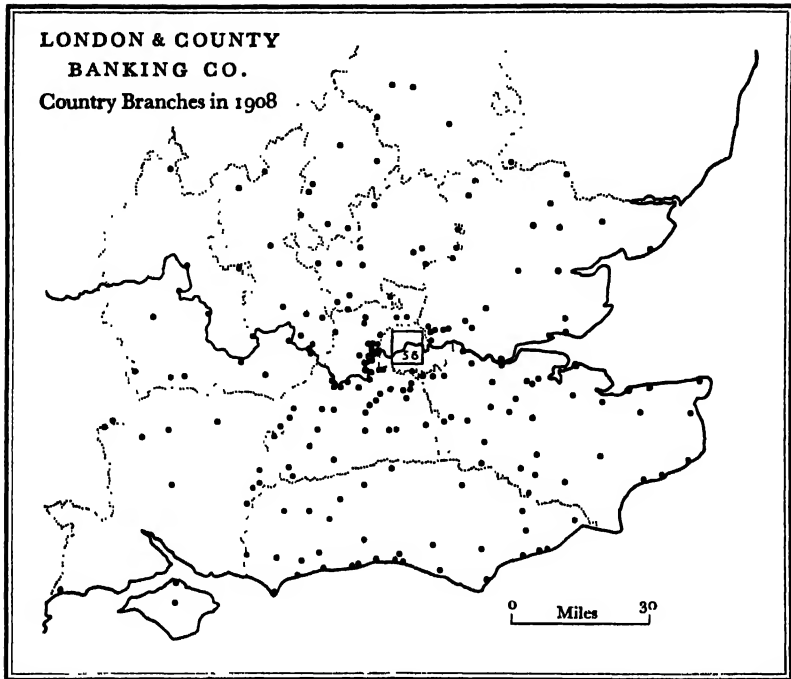
The importance of the agricultural accounts of the bank explains, *inter alia*, the attention given in the speeches of the various Chairmen in the 'sixties, 'seventies, and 'eighties to the condition of agriculture—an attention which became accentuated when the great agricultural depression set in in the 'eighties. But it would be a mistake to imagine that the London and County Bank was ever in a position analogous to that of American banks in rural areas, dependent upon the vicissitudes of a single industry. Even taking into account the relatively restricted area in which the bank operated, and considering agriculture alone, many different classes of agricultural production were represented, not all of them necessarily equally affected at any one moment of time.

¹ *Bankers' Magazine*, 1877, p. 223.

Again, though the London and County area did not possess many 'great' industrial cities, it did contain towns with diversified, even if relatively minor industries, such as Luton and Reading, and dockyard towns like Chatham; above all, the area contained the rapidly growing watering places of the South Coast and the residential and 'dormitory' towns and suburbs whose centre was London. In an earlier section of this chapter, reference was made to Coleman's strictures on 'dormant' accounts, representing frozen loans to builders and others interested in urban land: this is itself evidence of growth which the population figures amply confirm. In the forty years between 1861 and 1901 the populations of some typical towns in the London and County area expanded rapidly: Aldershot from 17,000 to 31,000; Basingstoke from 5,000 to nearly 10,000; Bedford from 13,500 to 35,000; Bournemouth and Christchurch from 12,500 to 51,000; Brighton from 78,000 to 123,000; Eastbourne from 6,000 to 43,000; Folkestone from 8,500 to 31,000; Hastings from 23,000 to 65,500; Margate from 9,000 to 23,000. Taking some of the towns nearer London, the population of Luton expanded from 15,000 to 36,000; Maidenhead from 4,000 to 13,000; Reigate from 10,000 to 26,000; Southend from under 2,000 to 29,000; Richmond from 7,500 to 32,000; St. Albans from 8,000 to 16,000; Reading from 25,000 to 72,000. Moreover, the population of London was growing, and the network of metropolitan branches expanded with it. In 1850 there were only two London 'establishments' (Lombard Street and Knightsbridge); in 1860 there were eight; in 1870 the number had increased to twenty-two (apart from Lombard Street); in 1890 there were thirty-five, and in 1900 forty-four.¹

By December 1845 the total number of branches (including sub-branches) was fifty-one. The number

¹ Croydon and Woolwich were originally 'country branches', and have been excluded from this tabulation.



reached one hundred by December 1858, but thereafter the rate of growth was a good deal less rapid. It was not until December 1875 that the total reached 150, and it took another twenty-five years for the number to attain the two hundred mark (December 1901: 206 branches). Thereafter a period of rapid expansion again set in; between the turn of the century and the time of amalgamation with the London and Westminster Bank, the number of branches increased to two hundred and sixty-nine. This slackening of the rate of growth in the middle period of the bank's history was undoubtedly due in part to conscious policy: thus in 1872 one finds the Chairman saying:

. . . I will take the opportunity also, while upon this theme, of mentioning that since the last general meeting we have added no new branches to the bank, nor have we, at this moment, any particular place in view in that respect; and, indeed, it may be worthy [of] consideration whether, with our balances at £16,000,000,

we should again go into new districts of which the issue must of necessity be more or less uncertain. We live in times when we are instructed that artificial stimulants are not always conducive to the general health; at all events the meeting will be perfectly satisfied that we shall enter upon no new ground without first taking every precaution possible.¹

In the evolution of its branch system the London and County Bank relied only to a very minor extent, as has already been pointed out, upon amalgamations or absorptions. As the district in which it operated was part of the area sixty-five miles round London to which the permissive powers of the Act of 1826 did not apply, it was not faced, at any rate originally, by the competition of powerful local joint stock banks. The typical bank in its area was the private partnership with less than six partners. Some of these it absorbed.² Some it supplanted. In other cases it was induced to open a branch on the representation of local inhabitants.³ Outside the metropolitan area,

¹ *Bankers' Magazine*, 1872, p. 235. As early as 1852, the Directors announced that they 'have thought it judicious to close six minor Branches, which were not considered sufficiently productive to warrant their continuance'. (Report for the year 1851.)

² The absorptions mainly fall in the early years of the bank. In 1839 the bank absorbed Jeffreys & Hills, of Chatham. In 1841 the London and County Bank took over Hector, Lacy & Co., Petersfield; Emmerson & Co., of Sandwich; followed a year later by Davenport, Walker & Co., of Oxford; in 1843, Wilmshurst & Co., of Cranbrook; and in 1844 T. S. Chapman, of Aylesbury, were absorbed. In 1845, J. Stoveld, of Petworth, was taken over, followed in 1849 by Trapp, Halfhead & Co., of Bedford. Nunn & Co., of Manningtree, were absorbed in 1870.

³ *v. Annual Report* for 1841: 'During the past half-year four new Branches have been opened—two, private Banks merging into the London and County Bank, and two, established in Cities where failures of private Banks have occurred.' [Messrs Halford, Baldock & Co., of Canterbury, failed in October 1841. *Times*, 6th, 9th, 27th October 1841. Messrs Ridge & Co., Chichester Old Bank, failed in November 1841. *Times*, 16th November 1841.] *Annual Report* for 1842: 'At the close of the past half-year three new Branches were successfully opened—one at Ashford, in consequence of assurances of support received from influential residents—another at Arundel, in place of, and upon

indeed, only two joint stock banking companies were taken over: the Berkshire Union Banking Co. of Newbury (established 1841; absorbed 1851) and the Hove Banking Company (established 1876; absorbed 1891). In London only three absorptions took place in the whole history of the bank. The business of Messrs Robert Davies & Co., of Shoreditch (formed in 1841), was taken over in a bankrupt condition in 1860.¹ The Western Bank of London, Hanover

the premises recently occupied by, the late firm of Hopkins and Drewitt—and the third at Oxford, where the respectable Bank of Davenport, Walker & Co. has merged into the London and County Bank.' *Annual Report* for 1847: 'During the severity of this pressure your Directors were called upon, owing to the failure of a private bank at Abingdon, to offer their aid to that important town and neighbourhood, which was gratefully accepted, and a Branch Bank has been established at that place. . . .' *Annual Report* for 1848: 'Your Directors considered it their duty, in consequence of local circumstances that came to their knowledge, to open a Branch at St. Albans in September last, which gives promise of an important accession of business in that locality. . . .' *Annual Report* for 1849: ' . . . At the instance of influential parties in the neighbourhood of Knightsbridge [your Directors] have opened a branch in that important district where a bank was much needed.' *Annual Report* for 1850: ' . . . Your Directors have, in consequence of the failure of Messrs Nash & Neale, established a branch at Reigate, where an increasing and remunerative business is carried on.' *Half-yearly Report* for 1857: 'Advantage has been taken of the opening presented by the failure of the old bank at Hastings, to occupy the ground at the different points in that neighbourhood where it had agencies, and your Directors are glad to report that the general business of the Bank is making satisfactory progress.' (On the failure of the Hastings Old Bank, *v. Bankers' Magazine*, 1857, pp. 699–700, 832.)

¹ For the full circumstances relating to the failure of this bank and the opening of the Shoreditch branch of the London and County Bank, *v. Bankers' Magazine*, 1861, pp. 185, 243–245, 428–430. The bank had advanced large sums to two building firms which were insolvent, and by 1859 the senior partner had overdrawn his account by £15,000. The managing partner stated in the Bankruptcy Court: 'We could have carried on the bank, although we should have been short £10,000 or £12,000.'

'Do you mean to say you could have carried on the bank although you were utterly insolvent?'—'Yes.'

Square, which had had a somewhat unfortunate career in the three years of its existence, was merged in 1859. Finally, Messrs Frederick Burt & Co. (established 1872) were absorbed in 1907.¹ It is clear that in the history of the London and County Bank the accretions of strength due to absorption are not impressive.

The growth of a bank can be measured in other terms than the mere extension of the network of branches. For many years the London and County Bank made it a practice to state the number of separate accounts and the number of shareholders. The practice was not by any means uniform from year to year. Sometimes the net change was given, sometimes the growth of deposit or current accounts was compared with a decline in one or other of these categories. But enough information is available to enable the growth of the bank to be watched over a long period of time.

In June 1858 the accounts numbered 22,550, and by June 1861 they had increased to 29,036. At the annual meeting in 1864 the total number of accounts is given as 35,862.² In 1867, at the annual meeting of that year, the Chairman, surveying the troubled events of the crisis year just elapsed, said that 'At Christmas, 1865, the total number of accounts with the bank was 47,585, in June it was 48,634, and at Christmas last it was 50,389, an increase therefore of 2,084 in the number of our accounts'.³ Ten years later, the then Chairman presiding at the annual meeting of 1877, said, 'We have usually told you the

¹ This amalgamation gave the London and County Bank control of a firm specializing in foreign banking at a time when the leading English banks were becoming interested in this field. 'They had acquired', said the Chairman at the annual meeting in 1908 (*Bankers' Magazine*, 1908, January-June, p. 462) 'an old-established foreign banking business, which the board trusted, would be a source of profit.'

² *Ibid.*, 1864, p. 282.

³ *Ibid.*, 1867, p. 298.

number of our accounts: the number shows an increase of 2,076 during the year, and the aggregate at the end of December [1876] was 78,332'.¹ In 1898 the shareholders were told that 'They had accounts now opened with separate persons numbering 156,061'.² In 1901, the announcement was made that 'There had been an increase of 5,000 in the number of their accounts—a fact proving that the public continued to show a large amount of confidence in the company; and notwithstanding the increased competition against which they had had to contend, they had more than held their own. They had now no fewer than 176,000 accounts'.³ In the forty years 1861 to 1901, there had thus been a more than six-fold increase in the number of accounts: during the same period of time the number of branches and sub-branches had increased from 114 to 262. In 1902, it was said that the number of accounts was 181,000.⁴

It is possible to trace the number of shareholders over very much the same period of years. In 1867, in order to prove the theory that capital issues 'made *pro rata* among existing shareholders, produces very rapidly an increase in the number of shareholders—broadening our own base, to use a common expression, and therefore bringing increased business', the Chairman showed that before the paid-up capital was increased in 1862 there were 905 shareholders; after the increase there were 1,169. In 1864, before the paid-up capital was increased there were 1,213 shareholders; after the increase there were 1,572.⁵ In 1898, at the annual meeting, the Chairman said, 'The number of

¹ *Bankers' Magazine*, 1877, p. 222.

² *Ibid.*, 1898, January–June, p. 458.

³ *Ibid.*, 1901, January–June, p. 471.

⁴ *Ibid.*, 1902, January–June, p. 469. In 1903 the current accounts only were given (157,422, an increase of nearly 4,000); in 1904 the increase in the number of accounts was given as 4,430.

⁵ *Ibid.*, 1867, p. 299.

their shareholders was larger than it had ever been—9,600 or 150 more than they had a year ago. As illustrating the way in which wealth was now more generally diffused, he might mention that in 1867, when their capital was £1,000,000, they had only 2,000 shareholders, representing an average holding of £500; in 1877, when their capital was £1,500,000, they had 4,014 shareholders, whose average holding was £375; in 1887, when their capital was £2,000,000, as at present, the number of their shareholders was 7,200, giving an average holding of £280; whereas at the present time the average holding of their 9,600 shareholders was £210'.¹ At the beginning of 1900 it was announced that 'For the first time there were more than 10,000 shareholders of the company's 100,000 shares'.²

VI

THE BALANCE SHEET POSITION

Full details of the yearly balance sheet position of the London and County Bank will be found elsewhere in this volume: at this place all that is necessary is to supplement the history of the expansion of the bank by drawing attention to some salient figures. Acceptance liabilities were first separated from deposit liabilities on the debtor side of the balance sheet in 1861—up to this date, therefore, the growth of the deposits includes an unknown element due to acceptances, though this amount was probably very small, since it was only one-fifteenth of the liability on deposits at the time when the two items were separated. The deposits attained nearly £1,000,000 in December 1843; they more than doubled in the next seven years and stood at £2,030,000 in 1850. They doubled again in eight

¹ *Bankers' Magazine*, 1898, January–June, pp. 458–459.

² *Ibid.*, 1900, January–June, p. 472.

years, reaching the figure of £4,264,000 at the end of 1858, and had reached a previous peak in 1855. Thereafter, it is necessary to include acceptances to obtain a comparative figure. The rapid rate of growth of the bank is characterized by the fact that within five years the combined figure was again doubled. Eight years afterwards (December 1871) the figure was more than doubled again; but thereafter the rate of expansion slowed down considerably—it took eighteen years before the figures for 1871 were doubled, and between 1889 and 1908 the net increase was only twenty-seven per cent. In fact, a turning point came in 1900—thereafter there is a decline in deposits alone till 1905, and the 1900 figure was never exceeded before amalgamation.

Deposits and acceptances measure liabilities to the public; the shareholders' contribution to the stability of a bank is measured by the growth of capital and reserves, and by their ratio to 'outside liabilities'. The paid-up capital attained £1,000,000 in 1869, grew gradually until it reached two millions in 1883, and remained at this figure for the remainder of the bank's life. The reserve fund also reached half a million in 1869 and one million in 1883, attaining a maximum of £1,700,000 in 1903. The growth of the reserve fund in the 'sixties is very remarkable: between 1862 and 1863 it had had to be reduced by £100,000 owing to 'the loss they had sustained in the litigation in regard to the Chandos mortgage'.¹ The fall after 1903 was due to the depreciation of gilt-edged securities, the characteristic feature of the two decades before the war. The half-yearly report for the period ending 31st December 1903 stated, 'In view of the present depreciation of first-class securities the Directors have also decided to transfer £450,000 from the Reserve Fund to Investments Accounts for the purpose of writing down the Bank's

¹ *Bankers' Magazine*, 1863, p. 706. On the litigation in question, v. above, p. 374.

holding in Consols to 85, and the other Investments to their market value'. Thereafter the reserve fund rose again until it stood at £1,650,000 at the end of 1908.

The ratio of reserve to paid-up capital underwent a steady expansion throughout the history of the bank. By 1856, the Directors thought it desirable to stabilize it at 20 per cent,¹ but the events of the Sadleir period soon convinced them that they were wrong, and by 1865 the proportion between the two had been raised to 33 $\frac{1}{3}$ per cent. Four years later the ratio was 50 per cent; by 1897 a further change begins to be noticeable, and the ratio had reached 75 per cent in 1900 and 85 per cent in 1903. The ratio of capital and reserve combined to deposits and acceptances combined shows, on the other hand, a tendency to fall. In 1850 it was 13 per cent; in 1860 it was nearly 12 per cent; in 1870 it was 9 per cent, and in 1880 it was 9·7 per cent. From 1890 onwards it varied between 8 per cent and 6·9 per cent.

The attainment of the right ratio of capital to deposits, or of capital and reserves to outside liabilities (sometimes one, sometimes the other of these concepts being employed), occupied the Directors of the bank a good deal in the middle years of the bank's history. Both general and special considerations received attention. Thus, immediately after the Sadleir crisis, at the annual meeting on 5th February 1857, the Chairman told the shareholders that,

With respect to the capital of the bank and reserve fund, they would recollect that at the last meeting Mr. Coleman pressed very strongly on the proprietors the advantage that would result from increasing the capital of the bank, and also the expediency of increasing the reserve fund. The subject had attracted attention, and he was quite of opinion with Mr. Coleman and others,

¹ 'After giving the subject the most mature consideration, your Directors are of opinion that 20 per cent upon the paid-up capital of the Bank is sufficient for the Reserve Fund. On the adoption of this principle the amount will continue at £100,000.' (Report at end of 1855.)

that though this bank had experienced no want of capital, for they had available funds quite sufficient at their command to meet any demand, still the proposition was a good one, that there should be a fair proportion of paid-up capital invested in the bank, to carry the weight of the customers' balances. He then read the words used by Mr. Coleman in his report in reference to the subject. It had had the serious consideration of the board from that time. He could tell them, honestly and without reserve, that they had felt since then no want of capital, nor did they now, but they thought it was a sound principle to make an increase to the capital of the bank without reference to their immediate wants. [It was therefore proposed to issue 5,000 shares of £20 each] and . . . in all probability it would be proposed that the existing shareholders should have one-half the advantage of the difference between the nominal amount of the shares [£20] and the then market value, the reserve fund of course having the benefit of the difference. . . . Of course the desire in increasing the paid-up capital of the bank being also to increase the reserve fund in proportion, the adoption of the report would carry that resolution into effect. They were aware that it was determined last year that the reserve fund should be limited to £100,000. He thought that was a mistake, and the more he thought of it the more clearly did that mistake appear. By carrying the report, that of course would be obviated, and the reserved fund would be increased to the extent and in the manner he had pointed out, without limiting in any degree the profits of the proprietors. . . .¹

In 1864, when a further increase of capital was decided upon, the shareholders were told that,

Thinking that the time had arrived when the bank ought to take its position in the front rank of joint-stock banks, the board had determined to make a large increase in the capital of the bank. There were many reasons for this. They were, for instance, frequently called upon to make large advances as deposits in the Court of Chancery on account of new railway undertakings—advances which, though perfectly safe and bearing a large profit, ought not to be made out of the money of their customers, but rather out of their own capital.²

¹ *Bankers' Magazine*, 1857, pp. 244–245. The projected increase of capital in 1857 was postponed owing to the state of the money market.

² *Ibid.*, 1864, p. 282.

In 1872 a quantitative principle was laid down. At the half-yearly meeting (1st August 1872) the Chairman said that

The directors consider the time has now arrived when the capital of the bank should be increased. The reasons for this increase are in no degree founded on any necessity nor even desirability of adding to the funds required for carrying on the business of the bank, but we do feel that a fair and reasonable relation should be maintained between the liability of the bank and its capital reserve. . . . When our proportion of capital and reserve to our liabilities was down to $7\frac{1}{2}$ per cent, this reduced percentage brought the necessity of change, and a new issue followed. The new issue had the effect of raising the proportion between our reserve fund and capital to the liabilities of the bank to $10\frac{1}{2}$ per cent. The confidence of the public is now making an incessant increase to our balances, and this has again inevitably lowered the proportion of capital and reserve to the liabilities we have, . . . and we are now down again to the 7 and a fraction per cent, and we are thus brought again to the same position as we were in in 1867. A new issue is required, absolutely required, in order to keep up our position, that it may be similar in this respect to that of others which surround us.¹

A year later the Chairman, again addressing the shareholders, said that

'The unanimous opinion of the directors, looking at the safety of the bank, and the ordinary rules acted upon in matters of this sort, is that the shareholders' capital in a concern of this sort should bear a fair proportion to the extent of liabilities. We do not want to express any very positive opinion as to what the precise figure should be. As a sort of general idea, I may say that it is the opinion of the directors that the shareholders' capital should be something like 10 per cent. upon the amount of the liabilities.'²

As might be expected in view of the great changes in business and money market practices during the century, the figures on the assets side of the balance sheet reveal some striking changes in the same period. Up to 1856 the

¹ *Bankers' Magazine*, 1872, p. 792.

² *Ibid.*, 1873, p. 857.

balance sheets of the London and County Bank do not sufficiently distinguish various items to make comment useful, and between 1863 and 1877 discounts and advances were not separated from one another. Taking first the relative significance of discounts and advances, it is interesting to observe the enormous preponderance of discounts as compared with advances in the period before 1862, in which year the volume of advances was only five per cent of the bills discounted. By 1878 the volume of the two is nearly the same, and although till 1893 advances are well below the bills discounted, by 1900 the advances are more than twice the volume of bills.

An equally striking change is shown in the relative importance of 'cash in hand and at Bank' and 'money at call'. In 1856 the latter is somewhat greater than the former; but in 1866 money at call constituted only 41·3 per cent of the cash in hand and at Bank. Thereafter the proportion changes again, being 83·7 per cent in 1870 and 70 per cent in 1880. In 1890 the proportion was 53·8 per cent, and the ratio remained in this neighbourhood till amalgamation, being 51·3 per cent in 1908.

Great changes are also observable in the significance of investments. The ratio of investments to discounts and advances was only 15·5 per cent in 1856, fell to a minimum of 7·1 per cent in 1866, and was still as low as 13·9 per cent in 1872. Thereafter the proportion steadily increased: it rose to 25·1 per cent in 1878 and to as much as 45·1 per cent in 1893—the natural result of a long period of depression. In 1900 the ratio between these groups was 38·9 per cent, and by 1908 it had fallen even lower—to 33·8 per cent.

The last ratio which it is necessary to mention is the familiar ratio of cash in hand and at call to the outside liabilities of the bank (deposits and acceptances). In the 'fifties (after the Sadleir episode) this ratio was high—30 per cent in 1856; it was still over 27 per cent in 1860. Thereafter it

showed a tendency to fluctuate, standing at the low figure of 19·5 per cent in 1890, while in 1900 the ratio was nearly 25 per cent, and in 1908 26 per cent.¹

¹ The London and County was, of course, among the banks which had responded to Viscount Goschen's appeal for greater and more frequent publication of bank accounts. In 1908 it led the way to a further improvement in answer to the charge of 'window-dressing': 'It appeared that at the moment the best chance for improvement', the Chairman told the shareholders in 1908, 'was by individual action, and the directors had decided to take a step which was immediately practicable—namely, the insertion in this bank's monthly statement, not only of the actual cash figures of the particular day, but of the average figures of the month. They would thus get rid for the future of the possibility of any imputation of "window-dressing". The average figures for the month would appear for the first time for the month of January'. (*Bankers' Magazine*, 1908, vol. I, p. 462.)

APPENDIX

THE WESTERN BANK OF LONDON

The first mention of the Western Bank of London is in the February 1856 issue of the *Bankers' Magazine*,¹ where, under the heading 'Bank Movements', the following is inserted:

The prospectus has been issued of a new metropolitan joint-stock bank, to be called the Western Bank of London. The proposed capital is £400,000, in £100 shares, and the Chairman is Sir Henry Bulwer, while among the directors is Mr. [J. A.] Roebuck, M.P. The promoters call attention to the fact that this will be the first independent institution of the kind at the west-end, the existing joint-stock accommodation there being limited to that which is supplied by the branches of the city establishments.

Starting under respectable auspices, the bank, originally 'located at Whitehall, has recently been removed to No. 21, Hanover-square, an elegant and commodious mansion, lately the property of the Marquis of Downshire, and residence of Lord Arthur Edwin Hill, M.P. for Down county. This mansion is situate at the north-east corner of Brook-street. It has for many years past been appropriated as an aristocratic residence, and possesses all the space and convenience internally, as well as commanding exterior, to render it readily capable of conversion to the purposes of a banking-house suitable for the west of London. . . . The banking-house, it is understood, will shortly be opened for the transaction of business.'²

Subsequently, in the same year, it was stated that the bank had applied for a charter.³ Before the end of the first year of its life, the bank had changed its chairman, or 'governor', as he is styled at times, Mr. Roebuck officiating in that capacity at the first general meeting on 16th May 1857. The bank had evidently had great difficulty in inducing Mr. Clack, its manager, to come to it, to judge from the elaborate explanation which this gentleman

¹ p. 136.

² *Bankers' Magazine*, 1856, p. 258. The house is still occupied, by the Westminster Bank, as the Hanover Square branch. Prince Talleyrand had lived here as Louis Philippe's ambassador to England.

³ *Ibid.*, p. 336.

gave the shareholders at a general meeting on 27th July 1857, when both he and the Chairman were the subject of considerable attack.¹

The bank was obviously over-capitalized in relation to the deposits it had managed to accumulate in the first two and a half years of its existence, and had as obviously taken expensive premises and incurred heavy preliminary charges. From the beginning of its career a tone of apology is to be heard in the speeches of the Chairman, and the proceedings at shareholders' meetings were throughout acrimonious. At the first general meeting the Chairman explained that the bank was 'opposed by the jealousy of private banks, and of gentlemen at the east end, who thought it was an undue interference with their interests that any set of gentlemen at the west-end should attempt to get up a bank at all'. Moreover, the atmosphere had been upset by the behaviour of 'gentlemen in high positions' who had turned out to be 'arrant rogues', and the bank had also suffered from the intrusion of the name of one of the directors in an action. The legal fees of establishing the bank were high, and he was of opinion that the fee paid to the promoters, £6,000, 'far exceeded what the promoters ought to have received'.²

At the July meeting, at which net profits of £7,743 were reported, and a dividend of 3 per cent was proposed, allegations were voiced that the Directors had helped themselves to £1,800 'out of the subscribed capital of the company . . . prior to the opening of the bank'; further questions were put, 'there having been, and still being, rumours abroad that some of the directors receive money or agreed with the promoters that they should be qualified by them out of the sum voted to them by the bank, the shareholders present at this meeting request to be informed whether the board of directors have taken any steps to ascertain the truth of these rumours, and whether the board or manager is in possession of any information on the subject? If so, whether they will impart such information to the shareholders, or a committee

¹ *Bankers' Magazine*, 1857, pp. 747-748. The agreement made with the Manager was the subject of an action; though the contract had been drawn up by Mr. Rymer, then the bank's solicitor, it would appear that he originated the action in question, which was dismissed with costs (*Wilkins v. Roebuck and Another—Ibid.*, 1857, pp. 726-727). It appears from that case that Mr. Clack was the manager of the Regent Street branch of the Union Bank. 'He was offered £1,200 a-year for his services; but being unwilling to terminate his existing engagement, he declined, and was ultimately offered £1,500.'

² *Ibid.*, 1857, pp. 539-543. Legal expenses amounted to £3,500, but of this amount more than £2,500, the former solicitor explained, were 'out of pocket expenses'—fees for the charter, etc.

appointed by them to inquire into the matter'. In the end, the shareholders strongly supported both the chairman and the manager.¹

At the meeting of 1858 the atmosphere was more cordial; there had been a financial panic and the bank had suffered from litigation, in which it had throughout been successful, and from adverse rumours. It had suffered a loss of £5,000 by bad debts, but at the same time, although surrounded by 'difficulties of an almost unparalleled description', its deposits had gone up by £36,000. The manager was optimistic, looking forward to the bank's paying 5 per cent 'within a comparatively brief period'.

Having decided in 1858 to have half-yearly meetings in future, the first of these was held on 27th January 1859. The report refers with 'satisfaction to the increase of business which has taken place, . . . the amount held by the bank for its customers having been augmented to the extent of £50,000. . . . The directors congratulate the proprietors on the favourable termination of all the suits and legal proceedings in which they were compelled to engage in defence of their interests, in every one of which the bank has been successful'. The Chairman, in reply to questions, declared that all bad and doubtful debts were written off and, generally, expressed the view that they had 'now shown that there is a necessity for such a bank as this at the West-end of the town', and stated that the future 'holds out a good prospect of success'. For the first time, though after considerable discussion, £1,000 was voted to the Directors for their services during the last three years. The Manager also was optimistic: he expressed 'a very strong conviction that the report which had been read at the commencement of the meeting would be the worst report the directors would ever have to present to the shareholders'.²

It must have come as a violent shock to shareholders, therefore, to be called together on 19th May 'for the purpose of confirming the preliminary agreement for the disposal of the business of the bank to the London and County Bank'.³ Mr. Roebuck was again in the chair and spoke in terms of great indignation: the bank was being 'compelled to shut up in consequence of the dictatorial tyrannising conduct of the two auditors'. The circumstances were that during a board meeting, one of the auditors asked for an interview, and on a suggestion to postpone the interview till the next day, the auditor, Mr. Arber, 'said that, unless the board saw him at once, he would put an advertisement in the

¹ *Bankers' Magazine*, 1857, pp. 739-748. ² *Ibid.*, 1859, pp. 173-177.

³ *Ibid.*, pp. 412-415.

Times, the effect of which would be to shut up the concern in three days'. The Board then decided to see Mr. Arber, who charged the Manager with 'falsification of the accounts, requesting his immediate suspension, and that if that was not done before the following Thursday, he would assuredly insert the advertisement in the *Times*'. In the end, the Directors agreed to request the Manager 'to leave town', and suspended him for three weeks. 'The reasons for this step upon the part of the board were explained to him. He was in bad health, and a sojourn in the country was a relief than otherwise. The directors felt bound in honour that this suspension should be kept secret; but the fact oozed out that he was suspended, and it was insinuated that he had made away with certain moneys of the bank'. There was a run and negotiations were opened with the London and County Bank. 'Day by day the business decreased. Had no arrangement been made, nothing would have remained to hand over, and they thought it advisable to make the best terms they could with the London and County Bank.'

Though, at a later meeting on 21st June, the Manager was able to dispose easily enough of the charges of falsification, which he asserted were due to personal malice, the situation disclosed at the May meeting was the reverse of satisfactory. Against assets of some £353,000, the Western Bank owed the London and County Bank £83,000, the Bank of London £30,000, and Thomas Gibbes and Son £40,000, the last two loans being specially secured. These, and some minor liabilities, totalled £161,000, leaving £192,000 available to meet debts other than on share capital. Of the assets, however, some £22,000 represented bills and promissory notes overdue. Altogether 'it appeared that about £40 out of the £50 per share will be recovered, the first instalment of £15 being payable in August. This will show a loss of about £40,000. The decrease in the deposits and balances between the 1st of March and 30th of April was 18 per cent, through the rumours which became circulated'.¹

¹ *Bankers' Magazine*, 1859, p. 415. At the extraordinary meeting called on 21st June to confirm the arrangement with the London and County Bank and other resolutions, Mr. Arber, the auditor, returned to the charge. 'Since the last meeting he had discovered an additional reason for investigation. It appeared that a most important book called "The Lien Book" had been mutilated, a great portion of the leaves having been torn out. . . . The Chairman observed that the directors were utterly at a loss to account for the mutilation; Mr. Walker, branch manager of the London and County Bank, having complied with a request to attend the meeting, in reply to the interrogatories from Mr. Jay, disclaimed all knowledge of the matter. Mr. Charman said he would give £50 to ascertain who mutilated the book, although the company could not lose anything by it, the securities themselves being quite independent of the entries in the lien book.' *Ibid.*, p. 483.

The provisional agreement with the London and County Bank (dated 27th April 1859) provided that 'the London and County were to take over the business, pay the liabilities, realise the assets, pay themselves for the advances, take the premises in Hanover Square at a certain sum, manage the affairs of the Western Bank at their own expense, and then relieve the bank of all further risks or liabilities'. The Western Bank of London itself was to enter into voluntary liquidation, for which purpose liquidators were to be appointed, as well as for the purpose of adopting and carrying into effect the agreement with the London and County Bank 'with power to make therein such variations of detail as they may think necessary'.¹ By June 1860, a total of £35 per share was returned to the shareholders;² certain sales of houses in Kensington 'which constitute nearly the whole of the remaining assets',³ were sold in 1861, by which it was possible to make a total repayment of £41 on each £50 share.

BALANCE SHEET OF THE WESTERN BANK OF LONDON

	<i>April 30, 1857</i>	<i>June 30, 1857</i>	<i>June 30, 1858</i>	<i>Dec. 31, 1858</i>
	£	£	£	£
Paid up capital	200,000	200,000	200,000	200,000
Amount due on current accounts, deposit receipts, etc.	173,812	191,282	228,622	278,951
Reserve Fund			2,244	2,244
Balance of Profit and Loss	12,658*	7,744	5,503	7,088
	<u>386,470</u>	<u>399,026</u>	<u>436,369</u>	<u>488,283</u>
Government securities, Exchange bills and bonds	100,000	100,000	79,833	26,500† 79,833
Bills discounted, loans on securities, etc.	198,656	224,777	277,159	300,503
Freehold and leasehold premises	19,700	29,214	30,719	29,419
Alterations of buildings, fittings and house furniture	8,596			
Preliminary expenses	13,334	13,334	12,000	11,000
Cash in till and at Bank of London	46,184	31,701	36,658	40,028
	<u>386,470</u>	<u>399,026</u>	<u>436,369</u>	<u>487,283‡</u>

* Gross profit. † Railway bonds. ‡ Some item in the original account must be mis-stated as the total is the figure here given.

¹ Resolutions proposed at the 19th May meeting, *Bankers' Magazine*, 1859, p. 413.

² *Ibid.*, 1860, p. 477. ³ *Ibid.*, 1861, p. 825.

